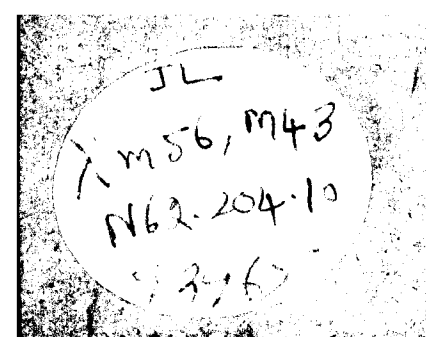


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The Economist

1962 - September 2. 1/8

Vol. CCIV - Nos. 6210, 11



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SEPTEMBER 1, 1962

FOUNDED 1842

One Shilling and Sixpence

**NOT SINCE THE CORN LAWS?
AFTER KHRUSHCHEV
SHOULD INTEREST RATES FALL?
AIRCRAFT IN TURBULENCE
FRANCE'S FARMING EXPLOSION
ISLANDS IN THE SUN
AMERICA'S NEW STAGE IN SPACE
BEN BELLA ON THE HORSE'S TAIL**

With the Compliments of
the
BRITISH INFORMATION SERVICES (INDIA)
FOR THE HON. THE CHIEF OF THE HIGH COMMISSION
NEW DELHI

134-GU
6 SEP 1962

**ECONOMIC LESSONS
OF THE WORLD'S
MOST EXTRAORDINARY
GROWTH ECONOMY**
(PAGES 787 to 823)

"Tsubu" a link with old Japan



For over twelve and a half centuries Japanese smiths have been producing masterpieces of the metal worker's art. This sword guard is a striking example. The heritage of craftsmanship has not been lost and these traditional skills have been channelled into new directions. High quality steel, at relatively low cost, now flows from Yawata's furnaces to satisfy a thousand needs, to make things of strength, practical utility, and beauty. Modern technology, well beneficiated raw materials, quality control and careful inspection at all stages of manufacture, assure Yawata's customers of satisfaction.



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Published weekly every Saturday, fifty-two times a year in London, England.

The Economist this Week September 1, 1962

INTERNATIONAL

POLITICS IN THE SUN

Jamaica and Trinidad and Tobago have their independence; the smaller islands continue to be the problem children of the Caribbean, making great demands on any proposed federation but unwilling to concede any of their own authority (p. 753).

President Nasser has stolen a march on the Syrians, pressing charges of intervention in their affairs, by his threat to leave the Arab League. Jordan and Saudi Arabia have made a gesture of genuine defiance, and hollow unity, in Egypt's face (p. 761).

President Nkrumah's ministers can do no more than guess at his intentions; still less *The Economist* (p. 757).

English-speaking Africans are suspicious of the common market because they suspect French motives in Africa (p. 758).

Many Australians think the New Guinea settlement the worst possible for them (p. 777).

THEN COMES TOMORROW

What sort of Russian rulers will succeed Mr Khrushchev, the man of contradictions? The younger generation looks like being more self-possessed, more balanced, more modern and perhaps more formidable (p. 751).

As the mood in Berlin has grown explosive, rationality is hard to come by, but it is needed (p. 756).

By trying to separate entry into the common market from entry to a European political union Dr Adenauer is trying to put up a last ditch resistance to Britain's entry into the common market; but his ministers think differently (p. 756).

NOT BY BREAD ALONE

French agricultural policy and the despair of French politicians has taken to breeding problems for Europe and for the British. Its spontaneous growth has brought not only increased production but a crop of tensions (p. 771).

Spain's stagnant society is getting on the move (p. 776).

Macao's pirate tradition lives on (p. 776).

The Chinese seem intent on removing America's nuclear monopoly in the western Pacific; "a matter of months" (Washington's phrase) should show how far they have got (p. 756).

While President Diem tries to get communist guerrillas out of South Vietnam, nationalist exiles plan to get him out of office (p. 762).

"Away with religion" is Mr Gomulka's aim; "gradually and without too much noise" his method (p. 761).

USSR HELPS USAF

The Soviet space twins have done the American Air Force a good turn (p. 779). While much activity goes on in space, Congress is getting down to business at last (p. 780). This week the Senate has passed two important Bills, one on drugs (p. 780), and one on agriculture (p. 782). However, controversial judicial appointments are still being held up (p. 782).

The national trade union organisation is under strain (p. 757).

In the long run nuclear power may provide an answer to the high costs of the American merchant marine—but not yet (p. 784).

HOME

HOT WAR

The Conservative party may be facing its toughest internal conflict since 1945—the time about Europe (p. 749).

The Trades Union Congress is too busy fighting the Government to sort out its own inner troubles (p. 757).

Some labour disputes this week illustrate what the public, rightly, thinks is wrong with the unions (p. 757).

A row is brewing over rents in Dundee's public housing—at 7s. 7d. a week (p. 771).

COLD COMFORT

Counterdrift is the latest jargon word in the debate on how to make Britain's cities habitable (p. 769).

The railways are attracting nostalgists whom speed cannot compensate for the lack of steam (p. 754).

The British are spending more on food—but are they eating better? (p. 758).

Broilermen are doing a little better out of cheap chicks (p. 839).

Scum should be cut by new progress in detergents (p. 836).

A puritanical revival is chasing Britain's free-lance entertainers from the streets of London (p. 762).

HARD CASH

Thursday's big Government loan of £500 million raises the question whether the Treasury and Bank of England really know where they want to go in monetary policy (p. 828).

Why not devalue like the French, asks a pundit from the anti-Establishment National Institute? (p. 829).

The President of the British Association

fears that Britain's spending on international scientific research might harm the efforts made at home (p. 829).

Exports have risen, but exporting is still not fun for all (p. 836).

ROUGH LESSONS

Aircraft manufacturers must take a firm grasp of the few straws offered to them by technical progress and commercial opportunity (p. 827).

A new international school in Wales is the latest in a series of valuable educational experiments (p. 770).

Probation hostels can only fulfil their promise in retraining young offenders if their staffs are properly paid (p. 761).

Who stays on at school? (p. 758).

Detailed contents on page 749

TV: dominant selling medium

Since its inception, only seven years ago, commercial TV has grown rapidly into the most powerful, vigorous advertising medium. Today it is seen in over 70% of all British homes... and in those homes it is proven two-to-one favourite channel. Popular coverage on this scale gives TV one of its main advantages over other media, particularly where mass over-the-counter sales are concerned. TV gains complete ascendancy as a selling medium when you consider that, in addition to its vast coverage, it is also *intrinsically vital and convincing*.

There are two main reasons for this. Firstly, TV is more *dynamic*. The selling message comes over with more intensity, more immediacy. You can demonstrate, dramatise, drive your point home. This direct approach is what gives TV commercials their impact and consequent effectiveness. Secondly, TV advertising reaches the viewer at his most relaxed, his most receptive... he is at home, watching a programme he has chosen to watch, *a programme he enjoys*. It is hard to imagine a more favourable setting for putting over a sales argument successfully.

Combine these two elements—the urgency of TV, and the viewer's receptive frame of mind—and you will see why TV achieves much more effective communication than any other medium. And effective communication of product name and product advantages is, without any doubt, of the utmost importance in building mass sales.

The Question of Cost

TV has a reputation for being expensive in comparison with other media. But what are the facts?

Cost of reaching 1000 adults		
National	Weekdays)	12/4
Press	Saturdays)	
	Sundays	14/8
Cost of reaching 1000 adults		
	Weekdays	7/8
ITV	Saturdays	6/9
Network	Sundays	7/9

In terms of cost-per-thousand, TV space is just about half the price of national press space. So, measuring cost by concrete returns (i.e. coverage, recall, and sales), TV is easily today's best buy.

The TV Contractor

So much for TV in general. Now let's see what a leading television company, ATV, has to offer the potential advertiser in more specific terms.

ATV's coverage



London Area—9,437,000 viewers. Midlands Area—5,575,000 viewers. This coverage accounts for 39.8% of all independent TV viewers.

The London Area

The weekend audience in the London Area, is, from the sales point of view, the most important in the entire UK. Here ATV provides peak *family* viewership with an exceptionally high conversion-to-sales rate.

The Midlands Area

This immensely prosperous, high-density consumer market is served by ATV from Monday to Friday. If a product is on ATV, its name will be on everyone's lips when the vast bulk of buying is done.

Test-marketing

ATV's Midlands Area is ideal for pilot marketing schemes, phased launches etc. Extremely well defined, it provides a watertight national cross-section of age, income, occupational and socio-cultural groups. Such a well defined cross-section is, of course, essential to successful test-marketing.

Ensuring consistently high ratings

ATV's progressive, audience-

orientated programming ensures optimum audiences during all time segments. For example, the new London Autumn schedule, which starts September 29th, includes ten exciting new programmes, among them, *The Saint*, *Man of the World*, *The Bruce Forsyth Show*, *Scarlett Hill*, *Broadway Goes Latin* and *87th Precinct*. In addition to these, proven favourites like *Cheyenne* and *Ghost Squad* have been strategically repositioned.

Advertisers get every support

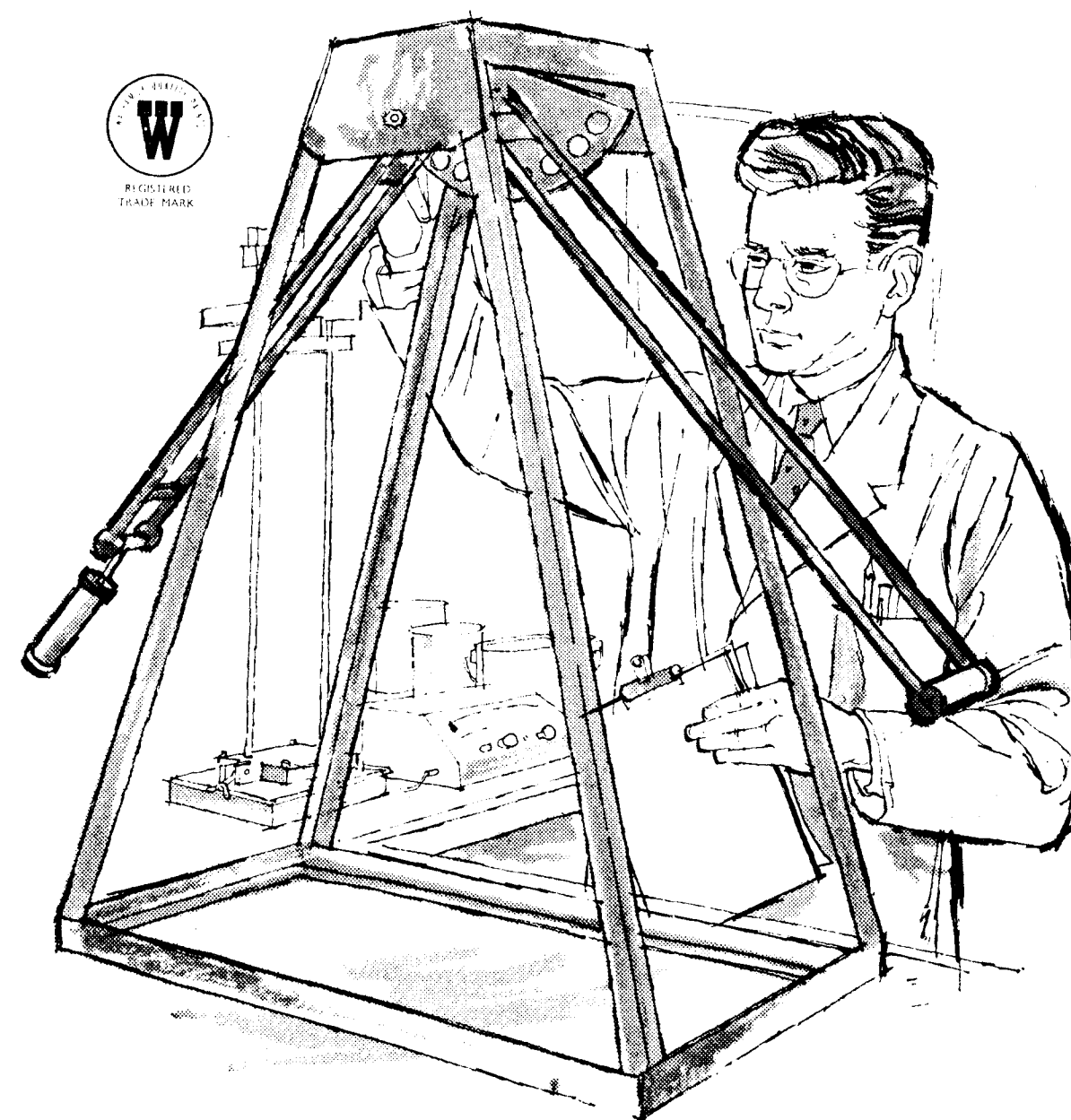
Behind the scenes at ATV is a whole string of specialist departments providing extra services for ATV clients. Ranging from media assessment, through copy testing, to merchandising facilities, these services ensure that ATV clients get full value for every penny of their advertising appropriation and that all campaigns realise their full sales potential.

If you'd like to know more about advertising on TV and on ATV in particular, please contact Patrick Henry, Sales Director, Associated Television Limited, 17 Great Cumberland Place, London W1.

**London
weekends**



**Midlands
weekdays**



Trial by collision

This is the Walpamur cylinder impact test. Two painted cylinders, each mounted at the end of a long steel pendulum, swing together like trapeze artistes and collide with terrific force. The resulting impact is roughly equivalent to that caused by a domestic washing machine being pushed sharply against a wall. It is testing such as this—ruthless and ceaseless—which conserves the quality of Walpamur Quality Paints. And it is thus that The Walpamur Company, with its overseas factories and multiplicity of branches, maintains its position of pre-eminence in the world of paint.

WALPAMUR QUALITY PAINTS

—constantly tested, consistently good



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OVERSEAS FACTORIES IN CANADA, AUSTRALIA, SOUTHERN RHODESIA, SOUTH AFRICA, KENYA & EIRE

W1122



In the Garden

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U.S. Industries Inc. is one of America's 300 biggest companies. Its fourteen divisions in the U.S.A., Western Europe, Latin America, the Far East and, now, Great Britain, produce and distribute advanced equipment for modern industry. In the fields of industrial automation, metal fabrication, plastics machinery, the transmission of gas, oil and water, electronics, teaching systems, petroleum production and dairy refrigeration, USI are meeting today's demands and tomorrow's needs. The company is making a direct contribution to the economic expansion of Great Britain.

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HILTON HOTELS AROUND THE WORLD

HILTON HOTELS IN THE U.S.

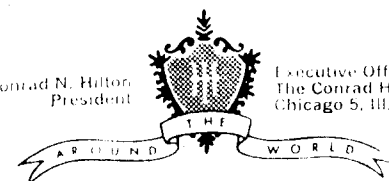
NEW YORK CITY
The Waldorf-Astoria
The Statler Hilton
The Savoy Hilton
CHICAGO
The Conrad Hilton
The Palmer House
ALBUQUERQUE
Hilton Hotel
BOSTON
The Statler Hilton
BUFFALO
The Statler Hilton
CINCINNATI
The Fairview Hilton
The Terrace Hilton
CLEVELAND
The Statler Hilton
COLUMBUS
The Deshler Hilton
DALLAS
The Statler Hilton
DAYTON
The Dayton Hilton
DENVER
The Denver Hilton
DETROIT
The Statler Hilton
EL PASO
Hilton Hotel
HARTFORD
The Statler Hilton

HONOLULU, HAWAII
Hilton Hawaiian Village
HOUSTON
The Shamrock Hilton
LOS ANGELES
The Statler Hilton
The Beverly Hilton
The Beverly Hills
PITTSBURGH
The Pittsburgh Hilton
ST. LOUIS
The Statler Hilton
WASHINGTON, D. C.
The Statler Hilton
HILTON INNS
ATLANTA, GA.
AURORA, ILL.
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NEW ORLEANS, LA.
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BERLIN, GERMANY
The Berlin Hilton
CAIRO, EGYPT, U.A.R.
The Nile Hilton
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The Istanbul Hilton

MADRID, SPAIN
The Castellana Hilton
MEXICO CITY, MEXICO
The Continental Hilton
ACAPULCO, MEXICO
The Acapulco Hilton
Las Brisas Hilton
MONTREAL, CANADA
The Queen Elizabeth
(A CH Hotel)
PANAMA, R. P.
El Panama Hilton
PORT-OF-SPAIN, TRINIDAD
The Trinidad Hilton
SAN JUAN, PUERTO RICO
The Caribe Hilton
ST. THOMAS, U. S. VIRGIN ISLANDS
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The Hotel Carrera
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Executive Office
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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.



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BLUE FUNNEL LINE

Alfred Holt & Co • Liverpool 2 • England



The Economist

SEPTEMBER 1, 1962

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see page 786.
VOLUME CCIV NUMBER 6210

Not Since the Corn Laws?

IT is not normally in the nature of the Conservative political animal to split sharply and abruptly down the middle. Unkind critics may say that it is generally too soggy a mass to do that. But the approach of the Commonwealth Prime Ministers' Conference on September 10th confronts the party with what could, potentially, be its most explosive internal situation since the repeal of the Corn Laws in 1846. Most Tory MPs are still finding it conventional to say that they will not decide whether Britain should enter the common market until they see what terms will be made available for the Commonwealth. Frankly that, by now, is mainly an excuse by people who do not want to make up their minds. For Commonwealth trade and agriculture, the maximum terms that Mr Heath can secure—and those that he cannot—became pretty clear last month. When the Commonwealth Prime Ministers meet to consider them, there seem to be four possible outcomes.

The first—and probably the very best that Mr Macmillan can hope for—is that the Canadians and Australasians give what can be construed as a grudging acceptance of the broad lines of negotiation that have now emerged. If that happens, one's guess is that Britain will become a fully-fledged member of the market before many more months are out. The second best thing would be if the communiqué and the Prime Ministers' parting speeches after the conference said nothing very clearly at all; there might be no specific acceptance of the emerging terms (not even a grudging one), but also no specific and united opposition to them by the white dominions. In that case, the odds on Britain's entry into Europe would still be pretty high.

The third—and much bleaker—outcome of the conference would be if the white dominions were to say that they could approve the terms only if Mr Heath asked Europe for certain other stated concessions which he will not in fact be able to get. The fourth and worst outcome would be if the Canadians and Australasians decided to call the emerging terms quite inadequate, and proceeded to protest and campaign insistently against them. Between these four possibilities there are any number of gradations, but within the next two weeks observers should be able to point to one of them and say that it is closest to what has occurred. If the worst course, of flat Commonwealth opposition, befell, and if Mr Macmillan still decided to try to press on into Europe, how many Conservative MPs might refuse to follow him? This is the question on which all might depend. Unfortunately it is also a question to which the answer might conceivably depend on the outcome of a complicated game of bluff.

Although nearly all of the Tories' 360-odd MPs have been saying for months that it would be permissible to join Europe if the terms were right, there are between 40 and 50 of them who are privately hoping that it will soon become more respectable to say that the terms are not right. At bottom, they would like to do something—which is very far from saying that they are ready to risk everything—to keep Britain out; they can fairly be called the inverted Micawbers of the present stage of British history, eagerly waiting for something to turn down. The thing that might give inverted Micawberism its cue is an unfavourable reaction by the white dominions at the Commonwealth Prime Ministers' Conference. (What the Asian and African dominions say will have a smaller political effect; not all of the potential Tory rebels will regard it as an additional point against the Brussels negotiations if they learn that Mr Nehru has been disappointed by them.)

The comparison with 1846 must not be pressed too far. This is no case where—to quote Trevelyan on the Corn Laws—a “combustible squirearchy on the back benches” sits ready to be ignited by the hand of some irresponsible genius such as the young Disraeli. Alderman Sir Cyril Black and other Tory MPs of his ilk are not combustible men. The sort of Commonwealth protest most likely to mobilise them would not be a too shrill cry of complaint—the former Canadian Finance Minister, Mr Fleming, tried that at Accra a year ago, and it boomeranged), but a deliberate, dignified, sad, slow shaking of heads by Mr Menzies and Mr Diefenbaker. Even then any Tory revolt would probably be at first a backstairs affair, rather than a loud striking of attitudes on public platforms. What Mr Macmillan has to fear after the Commonwealth conference is probably not assault by Tory backbench philippics, but a steady stream of stately *démarches*, passed on through the whips, saying that if he tried to press into Europe despite Commonwealth objections some 40 or 50 Tory MPs might deem it their duty to act to check him.

THERE is some danger that determined action by a band even as small as this might succeed. If this meant that Parliament would thereby be expressing its majority will at one of the most awkward stages of British history, there would be no democratic right to complain about it. But the paradox is that by such backstage manoeuvring Parliament would not be expressing its free majority will. While there may be up to 50 Tory MPs who are instinctively opposed to joining the common market, there are certainly more than 50 Labour MPs who are instinctively in favour of going into it. If Mr Macmillan felt that Mr Heath had secured satisfactory terms from the Brussels negotiations, then in a free vote these Labour joiners should theoretically be counted upon to outnumber the Tory separatists. Unfortunately—especially if there is a whiff of Tory revolt in the air—it is unlikely that Mr Gaitskell would encourage anything like a free vote: he would almost certainly strive to table a motion with some form of wording which would enable his pro-European Labour supporters to vote with the rest of the Labour party and the Tory insurgents in a natural but politically-motivated effort to do the Government down.

The danger, in short, is of a threatened alliance between a Labour party seeking a general election and Tory reactionaries seeking disentanglement from Europe. It may be said that, in the last resort, it is singularly unlikely that as many as 50 Tory MPs would join such a strange alliance, since a forced general election is the last thing they want; and, as the Conservatives still have 100 more MPs than Labour, there would need to be just over 50 Tory desertions to destroy the Government's majority on this issue. But the last resort is a ditch which Mr Macmillan, on his side, would equally want to avoid. If he were confronted by a really frightening stream of warnings from the whips, then it is possible to envisage the Cabinet's European aspirations relapsing, not perhaps into open and admitted retreat, but into the spirit of the new decalogue: “Thou shalt not kill, but needst not strive officiously to keep alive.” At some period of difficulty in the tiring negotiations at Brussels, when otherwise Mr Heath would have been instructed to make new efforts to resolve a deadlock, the effort to enter Europe might instead be called

off, and the whole venture allowed to drop, while ministers explained to the country and to each other that the terms offered had proved less acceptable politically than had been hoped. In that event, a relatively small band of anti-European Tory MPs would have won their game of bluff.

ALL this speculation is based on a very long string of hypotheses. It is fortunately pretty unlikely that they will all come to pass. But it is time to start thinking of a strategy to combat the possibility of their doing so. The first hurdle will be the Commonwealth Prime Ministers' Conference; it is still possible to hope that this will go much better than some of the gloomiest observers have forecast. But if it does not, if the gap between Britain's views and the dominions' views remains wide, then the time will have come for ministers, if they still want to enter Europe, to go barnstorming through the country. As an independent Commonwealth country, with a right of independent decision, it is for Britain to decide whether it is in its interests to go into Europe; if Britain thinks that the safeguards it has secured for the Commonwealth are good enough, then it should say so—even if the Commonwealth countries disagree—and announce loudly and determinedly that it will try to march on ahead.

The Government no doubt fears that there might be some uncomfortable consequences if it did this. Whatever one thinks about the terms which Mr Heath appears to have negotiated for the Commonwealth, there are several other parts of the Brussels negotiations that are still very unclear; they include the Six's future relations with the other EFTA countries, the financial burden that would be assumed by Britain under the system of food import levies, and several other unresolved questions of great political and economic importance. If Britain were to show itself too eager to enter Europe, it is sometimes argued, it would be less likely to secure satisfactory terms on the matters still outstanding; and there might also be a danger of some back-tracking by the Six on matters affecting the Commonwealth that have already been half-agreed. This argument almost certainly underestimates the strategic advantages of showing enthusiasm, and overestimates the tactical advantages of appearing to be an unpassionate wooer. If Britain came out of the Commonwealth conference pleading that it was faced by new political difficulties, and brandishing a whole new shopping list of additional points that it said it wished to reopen, we would not be likely to get better terms on the subjects that remain to be discussed or re-discussed, but might turn the whole tone of future bargaining against us.

The Government's second objection may be that those who are calling on it to be ready to “wage an open campaign after the Commonwealth conference” misunderstand how best the Tory party can be influenced; the Tories are said to be the sort of party that can more easily be converted by stealth than by loud oratory. But the point is that, after the Commonwealth conference and in the circumstances envisaged here, General Stealth might be about to turn traitor. Tory revolts are much more likely to breed in the dark than to flourish in the open; when they are fought against in the open, they can often be beaten by being made to look less respectable. This has especial relevance to the tactics that should be pursued at the Conservative party conference at Llandudno

on October 10th. To judge from some past Conservative conferences, there might be a temptation to hold the common market debate at Llandudno on some constituency resolution which appeared fairly innocuous to both sides. This would be a mistake. It would be much better to invite a deliberate vote, as was done last year, on the clearest possible issue

Looking Beyond Khrushchev



The contradictions of Soviet policy will be left for a new generation to resolve

FRANCE without de Gaulle, Germany without Adenauer, Spain without Franco, the Balkans without Tito, and, for that matter, Britain without Macmillan, are all subjects of speculation; we peer into the crystal for the possible shape of Europe after the elderly rulers have gone. What about Russia after Khrushchev? Doubtless the irrepressible Mr N. S. Khrushchev, now 68, has no thought of retirement; he may see himself organising the celebrations of the fiftieth anniversary of the revolution, in 1967. But he has led a more strenuous life than his western counterparts and—how time is flying—this is his tenth year in or near the centre of the Soviet political stage.

Stalin's death in March, 1953, was quickly followed by a division of his offices, Mr Malenkov—after little more than a week in charge both of the government and of the party secretariat—relinquishing the secretaryship and remaining prime minister. This left Mr Khrushchev as the leading figure in the party secretariat, a position officially confirmed in the following September. When, in February, 1955, Mr Bulganin replaced the disgraced Mr Malenkov as prime minister, Khrushchev took first fiddle in the celebrated, though short-lived, B and K duet. Not till 1957, after the defeat of the “anti-party” coalition headed by Malenkov and Molotov, and the elimination of Marshal Zhukov, did Mr Khrushchev finally reach the top; displacing Mr Bulganin as prime minister in March, 1958, he united the two chief offices once more.

One can imagine a similar see-saw process happening again after he goes. Even now, however, the Soviet pyramid of power is no longer dominated by its apex as it once was by Stalin. What one is most struck by, looking back on Mr Khrushchev's climb to power and on his five years at the top, is the tacking and veering of his policies. Eliminating Mr Malenkov in the name of the sacrosanct priority of heavy industry, he forthwith became the consumer's champion himself. Until this year he contrived to appear as the benefactor of peasants and town-dwellers alike. The sharp increases in meat and butter prices on June 1st have been a blow to his popularity with the urban masses. He has tried and failed to draw resources away from the defence sector. The marshals had helped Mr Khrushchev to power; once in the seat, not

between the anti-common market group and the rest. If this were done, then, as also happened last year, it is highly probable that there would be a very large majority in the platform's favour; and that on the next day there would be a healthy thud of heavy bodies falling off fences on to the Government's side.

only did he start to preach nuclear disarmament, but he actually began to put into practice a reduction of the huge land forces. Announced in January, 1960, this was reversed in July, 1961, though even then he said the reversal was provisional. By now he is landed with an increased bill for both the nuclear and the conventional forces.

Defence leads to foreign policy. At first Mr Khrushchev accused his opponents of exaggerating the damage that the Soviet Union must expect to suffer in war. Next, he himself became the itinerant salesman of peaceful co-existence, the champion of American friendship, the contact man of world politics. This period ended with the failure of the Paris summit meeting in May, 1960. Since then, the Berlin crisis, always in suspense, never entirely quiescent, has been a symbol of Soviet hesitations.

The zigzag course is reproduced in many fields of domestic policy, ranging from literature and education to industrial management, where a drastic decentralisation had to be followed by a certain measure of regrouping. The reasons for this chopping and changing are many. There are external factors, such as western reactions, and Chinese reactions, to Moscow's moves. There are domestic influences; Soviet governments are not made or unmade by the citizens' votes, but the leaders do have to take the public mood into account, and to a growing extent. Pressures from below add to the play of forces, the shifts and realignments within the inner circle of politics. Mr Khrushchev has not inherited Stalin's omnipotence.

Half peasant, half townsman, talking garrulously, with muzhik wisdom, on intricate problems of a complex, modern economy, Mr Khrushchev is a living image of his country in transition, of a Russia with one foot in the last century and one foot in the next. What has enabled him to keep his place at the top has been the fact that he did grasp Russia's need for change after Stalin's death. This has been his strength. At the same time his mental make-up, his upbringing and his self-interest all make him averse to a too rapid pace of change. There is an inner contradiction, which the ambiguities of his attitude towards his dead master illustrate. Nobody has contributed more to the destruction of the Stalin myth than he has, principally through two notable speeches: the “secret” indictment at the 20th party congress in 1956, and the open one at last year's 22nd congress. But each time, after stirring

up the forces of change, Mr Khrushchev has shown an anxiety to damp them down again, as if frightened of what the "thaw" might set in motion.

SINCE Mr Khrushchev is the man of transition, his departure from the scene, when it happens, will not necessarily have the cathartic effect that Stalin's had. It is the end of the Khrushchev era that will be interesting; and there is no certainty that it will coincide with the end of Khrushchev. A look at the composition of the ruling Soviet body, the party presidium, suggests that at least half of its twelve full members are likely to share Mr Khrushchev's complexes and inhibitions. The oldest, the aged Finnish veteran, Otto Kuusinen, was a member of the executive committee of the Comintern at a time when the young Khrushchev is unlikely to have had the faintest idea of international problems. Nikolai Shvernik, now head of the party control commission but former trade-union boss and former Soviet president, has a much longer party past behind him than Khrushchev. Even Anastas Mikoyan, the first deputy prime minister, though a year or two younger than Khrushchev, attained party prominence much earlier. If eminence under Stalin is taken as the criterion, two men must be added to this group. Mikhail Suslov (59), now in charge of ideological and inter-communist matters in the secretariat, was an authority on those subjects before Stalin's death. Alexei Kosygin, the other first deputy prime minister in charge of economic departments, was commissar of the textile industry before the war.

By age alone, Mr Kosygin would be grouped with the other half of the presidium, the men in their fifties, who served their time under Stalin but rose to the top after he died. The leading figure of this generation is Mr Frol Kozlov (54), who made his career within the Leningrad party. Between March, 1958, and May, 1960, he held Kosygin's present job in the government. Since then, he has been second to Khrushchev in the secretariat and as such is well placed for the succession.

Men of this generation were relatively minor figures during the bloody purges of the nineteen-thirties; attempts to dig down to the roots of Stalin's crimes do not perturb them unduly. Essentially they are administrators, party overseers of economic life. Still, they were brought up in the Stalinist climate, where the party was monolithic, no discussion was tolerated, and all decisions came from above. The same must be true of the few younger people within the leadership or on its threshold. Dimitri Polyansky, at 44 the Benjamin of the presidium, started his career in the Ukraine but climbed the ladder in the Russian republic. Alexandr Shelepin, his contemporary, reached the secretariat through the chairmanship first of the communist youth organisation, and then of the Committee for State Security.

The shortage of really young men among the leaders remains striking. Gradually, the way opened to young men by the October revolution in 1917 was closed as the Soviet political system became formalised and rigid. Since Stalin died, many grizzled heads have tumbled—but still not enough to bring the younger men to the very top. It is in the middle posts that the reshuffle has been most complete. According to an article by Mr Kozlov in *Kommunist*, discussed on page 1221 of *The Economist* of June 23rd, most of the local and regional party leaders are new men and are in their thirties. No doubt they are also men with more formal schooling than their pre-

decessors had. Soviet citizens now in their thirties, born and bred after the revolution, started their active political life in the post-stalinist period. They are the *nouvelle vague*; when they get to the top, modern Russia will begin.

A little, not very much, is known about this coming generation. They are better educated than their elders, less frightened and, therefore, more demanding. The poet Yevtushenko has put one of their dominant feelings plainly enough:

The town remembers its black crows,
It remembers the searches, investigations, and arrests. . . .
The town does not remember its past in vain. . . .
It will not let the dark clouds return.

REJECTION of the past implies a quest for ways to prevent its repetition; and indeed there are signs of such a search, as yet timid, for a less arbitrary, less secret and more rational style of government. Sooner or later this pressure must have its effect. The pressure for better living, more and better leisure, and equality runs parallel and will give Russia's next generation of rulers little rest.

In Russia's foreign relations a twofold effect looks likely. The challenge to the West may become more formidable. Those western diplomatists who were accustomed to Stalinist immobility found the greater manoeuvrability of his heirs hard to handle. When Mr Khrushchev's place is eventually taken by men who are less flamboyant, but also less inhibited and more coherent, this may be another shock. The new men, when they come, will have the additional advantage that, as time strips Russia of the repellent vestiges of Stalinism, the Soviet Union may present a more attractive image to the outside world.

The Soviet diplomatic challenge of the future, as it becomes more subtle, may also become less alarming. A government that is exerting itself, in a collected and intelligent way, to meet the wishes of a more articulate and exacting public may have a stronger incentive to stop the ruinous arms race. Popular support for "peaceful co-existence" should grow with material prosperity; so, too, should the leaders' self-possession and their confidence that communism really can, as is now asserted with more emphasis than assurance, prevail peacefully.

Probably, then, the real contest between the western and Soviet systems has yet to come; the events of the present Khrushchev interlude simply decide the terms in which it is going to be fought. A transitional regime brings the issues out into the open, but lacks the capacity to provide solutions. Thus the questions that will face the men of the new generation when their turn comes are before them, plainly enough, today. They will have to find the answers; that is, they will have to devise methods of government, and policies, suited to a modern Soviet state.

PARTY PRESIDIUM			
Full members	Age	Full members	Age
Khrushchev ...	68	Mikoyan ...	66
Brezhnev ...	55	Podgorny ...	59
Kirichenko ...	54	Polyansky ...	44
Kosygin ...	58	Shvernik ...	74
Kozlov ...	54	Suslov ...	59
Kuusinen ...	80	Voronov ...	52

Islands in the Sun

Two Caribbean colonies are now independent; what happens to the rest?

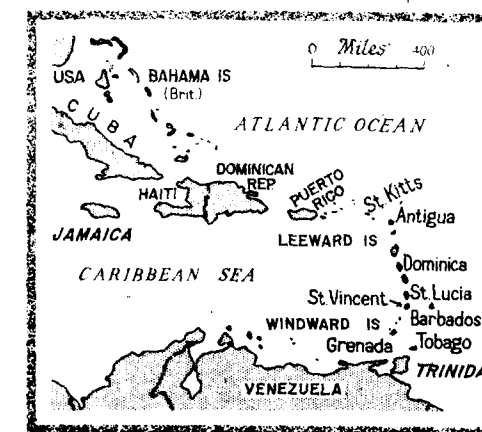
LOOKING back over a desert of memoranda and conferences, West Indians sigh to think of the time and spirit that were wasted on the federation that did not come off. Suspended in a timeless dither between the two conflicting trends—the ambition of dependent territories, however small or weak, to run their own affairs and the self-protective urge of men and nations to draw together in groups—the Caribbean partners failed to breathe life into their enterprise. But in the past year, since federation was knocked on the head by Jamaica's decision to secede, things have moved smartly. At the beginning of August, Jamaica became an independent country within the Commonwealth; Trinidad and Tobago followed suit yesterday. The remaining partners, Barbados and the Windward and Leeward islands, have plans for a new and closer federal union between themselves. But although the larger federation is dead, the economic and social problems that made it seem a good idea in 1958 are still alive. The difference is that outsiders can no longer cushion their concern at Caribbean misfortunes by the cobwebbed myth that adversities, if shared, will disappear.

Federation was supposed to conjure a viable unit out of scattered pieces of the Caribbean. The trick failed, and, in failing, revealed how illusory its prospects were from the start. Now different magic is in the air. The question is whether Trinidad, the wealthiest, most energetic, and most promising of the territories, will be able to provide a workable nucleus for a union of the islands of the eastern Caribbean. This, as one permutation follows another, might eventually lead to some form of all-embracing federation. The warm waters of the Caribbean wash the sands of wishful thinking.

When federation collapsed, Dr Eric Williams, Trinidad's prime minister, offered the smaller islands the chance of latching themselves on to the unitary state of Trinidad and Tobago. The offer still stands but is one that seems to expect a refusal. Grenada (the colony whose constitution was suspended a few months ago on grounds of financial maladministration) has come nearest to accepting, but may be frightened off by the prospect of becoming another Tobago. Described in the official British handbook as an "unspoilt tropical island," Tobago is Trinidad's very poor relation. And none of the island rulers are prepared to step down from their tiny castles. In the words of the *West Indian Economist*:

Unfortunately, the habit of treating West Indian islands as if they were sovereign states, and of taking them seriously . . . has created the feeling that they have an inalienable right to mis-govern themselves . . . the whole policy of the British Government for years has tended to strengthen the position of such local bosses.

One of the reasons for the federation's wearisome travails was the relentlessly grabbing attitude of most of the small islanders. Caught in the familiar quandary of those who are unable to reconcile their appetite for independence with their hunger for security, they bombarded Trinidad and Jamaica with demands, but balked at conceding any significant amount of their own authority. It may now be the turn of Barbados to be pushed into unenviable leadership. The outline for the



new "West Indies Federation" contains plans for a central government in Barbados with more power than the centre would have had in the defunct Federation of the West Indies; tax laws and tax collection, for instance, come under federal control. All depends on whether, when it comes to the point, the politicians are prepared to abandon their island charade for federal politics. A string of islands with 700,000 people and eight full-dress parliaments would be absurd. To link them closely together would be tidier, more economical; but, even if it were achieved, it would provide the beginning, not the end, of an answer to their problems.

Trinidad is far less able to detach itself from the worries of the small islands than Jamaica, which, by virtue of distance and tradition, can fairly easily forget about the east Caribbean. Absorbed in their own history and the drift of their own complex society, Jamaicans when they look outside turn to Britain, America or Africa, not to the other islands which few of them have visited and few want to visit. Trinidad, by contrast, has become involved by proximity, immigration and inter-marriage; many of Trinidad's politicians have families living in the smaller islands. British traditions have not flourished in Trinidad as they have in Jamaica; American tourists have not invaded the island; Dr Williams, sour after his squabbles over the American base at Chaguaramas, is not the man to emulate Sir Alexander Bustamante's bubbling flourish of pro-American sentiment. Trinidad's sentimental link with Africa is less strong than Jamaica's, partly because many of the country's negro ancestors did not come straight from Africa but reached Trinidad indirectly by way of other Caribbean territories; and Trinidad, unlike Jamaica, has no history of slave revolts to burn into negro memories. All the islands have different characteristics, but for most of them (Barbados is one exception) Trinidad with its mixture of French, Spanish, British, Indian and Chinese cultures would be far more familiar ground than remote Jamaica.

The small islanders come to Trinidad when they can. When inter-island movement was unrestricted between 1958 and 1961, 5,000 immigrants are reported to have come to Trinidad from Grenada alone. Compared with the other islands, and with many countries on the Latin American mainland, Trinidad holds out a splendid promise of prosperity. Its oilfields provide a source of relatively cheap power and the capital for getting on with its agricultural and industrialisation programmes. Communications are uncomplicated. The educational standard is much higher than, for instance, in Jamaica. If the planners and the politicians do their work, Trinidad could benefit much more than it does now from its closeness to Venezuela. Above all perhaps, Trinidad has, in Dr Williams, a capable, honest and forceful leader. But this

glitter, such as it is, appears brilliantly gilded from the dim perspective of the neighbouring islands. Seen in a starker light, a high proportion of Trinidad's 800,000 people are already underworked or out-of-work; an influx of hungry newcomers could not, at present, be happily accommodated.

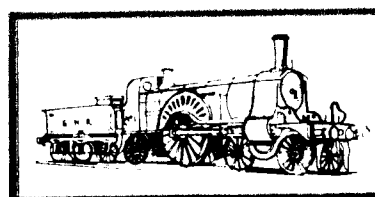
If, in these circumstances, Dr Williams should decide to make his offer to the smaller islands more inviting, he is much more likely to be influenced by political motives than by economics or sentiment. Unlike Jamaica, where complex social pressures keep the issues cloudy, Trinidad's social tensions are crude, on the surface and cut violently into politics. The country contains two main ethnic groups: 44 per cent are African, 36 per cent Indian. The Indians are, on the whole, better off, and the growing tendency for them to spend rather than to save their money has increased the antagonism between two groups, who rarely mix. Inevitably, voting has been largely along racial lines. However sincerely Dr Williams, who is of African descent, may deplore this trend and try to short-circuit it, the political arguments in favour

of bringing more negro voters into Trinidad might, one day, become self-evident.

A Trinidadian with, say, an Antiguan father and a Barbadian mother will feel himself a West Indian. But it is difficult to say how much meaning the concept of a "West Indian personality" has for people who do not illustrate it thus in their own origins. Anti-federalists will say it has very little. Why then should so many Jamaicans, however much their leaders deny it, feel guilty at having acted selfishly in destroying the federation? In fact, if Jamaicans should feel guilt at all, they should probably worry more about their contribution to the long process of attrition and less about the knock-out blow. Before the federation collapsed, the bond between the partners had become artificial and ready for shaking off. The interests of good housekeeping urge a new union of some kind among the smaller islands of the east Caribbean. But the magnetism that might in the end draw West Indians together, and so inject vitality into a larger Caribbean grouping, is still much too feeble a force to counter these lively insular ambitions.



The Steam Romantics



The simple lure of running a railway, the aesthete's satisfaction in the presence of a Gresley streamliner, even the humble spell of an old GNR 4-2-2 add up to a new nostalgia—and a growing cult

THE born conservatism of Anglo-Saxons is everywhere evident: the aged, of whatever description, are revered; change, whatever we may be told, is for the worse. This conservatism finds expression in a passion for the preservation of the *status quo ante*—sometimes very *ante* indeed; or if not mere preservation, which kills the beloved object for exhibition, then restoration, as if by the bringing back of car, ship, windmill to its original grandeur we could bring back, too, something of the legendary goodness of the age in which it flourished.

Since the British environment has been dictated largely by the industrial revolution, it is natural for much of the restorative energy to be directed towards machinery, the golden age of which is, by a law of human nature, never now. On ancient automobiles, traction engines, fairground roundabouts, ships and cotton gins, on machinery in its compulsive infancy, our love is lavished. Psychologists may ponder the rise of this mechanistic shintoism during a period of social change and national resettlement, on the prevalence among its adherents of naval and military men, of die-hard Tories, and of clergymen; and they may theorise on the dressing-up, in nostalgic or outrageous clothes, which so often accompanies the passion.

For the passion itself, there are signs that it is being transferred from old motor cars (which no longer carry much *cachet*) to other artifacts; that, in particular, we may soon see it developing along the lines Dr Beeching is so ruthlessly

and necessarily closing down. The train bands have existed for a long time, but simply because of the boom in their hobby (which many a veteran actively resents) none of them is able to give a real estimate of the steam-god's current British devotees. They range from small boys taking engine numbers to stiffish gentlemen with stopwatches riding regularly non-stop to Edinburgh; from Bradshaw manipulators calculating with extreme finesse a day-trip to Cambridge via Manchester (and whose consternation was terrible to see on the death of that publication) to undergraduate societies on a Sunday run in a rare branch-liner.

Their several enthusiasms are catered for, and have long been ministered to, by fellow worshippers at the firebox door, who produce periodicals (there are ten or more, with a combined circulation of well above 300,000), books, postcards, albums, models, manuals and even novels for devoted consumption. The fancy is very wide, its ramifications as complex as those of the railway itself.

Lately, ambition has begun to leap: not content with mere devotion, cultists now aspire to control, even ownership, of the *deus in machina* itself. Every branch-line which is closed under financial pressure produces its band of would-be reopeners, but very few of them get further than inquiring of the British Transport Commission just how much it will cost them to run their railway. The answer is likely to stagger them, and to knock their incipient private line off its feet.

Some have survived the shock; but they have been groups

which, from the beginning, have taken a conservative view of what they could expect, and a very liberal one of how much money, time and sheer sweat it would cost them. The first, and best-known, of them is the Bluebell line, which runs summer week-end trains, from Horsted Keynes to Sheffield Park, in Sussex, filled with devotees too passive themselves actually to paint a signal-tower, swab a waiting-room floor or grub up weeds from the permanent way in their spare time; and with tourists, connoisseurs, in a conforming Britain, of the quaint.

The Bluebell line (thus baptised by the press) was first closed early in 1955; but a canny local, a Miss Bessemer, invoked the line's original enabling act and compelled BTC to reopen the service, which finally ended in 1958. The preservation society began its operations almost immediately afterwards, and 18 months later secured, for £11,250, a five-year lease on the five-mile length of track and the option of buying it at £34,000, with its buildings. Now in its third season of operations, it has eight locomotives, ten coaches and a high reputation among both cognoscenti and hoi polloi. Its service is a serious and regular one; and it is better patronised than ever it was under British Railways (92,000 passenger journeys in its first season). It pays its way, to Dr Beeching's acknowledged pleasure, on almost entirely voluntary labour, not all of which can hope to attain the Valhalla of the footplate. In addition, it has brought good (perhaps line-saving) custom to the BR service with which its railway links at Horsted Keynes.

SOME others are, or may soon be, as successful: the Festiniog and Portmadoc, the Tallylyn, and one or two more. Most of these belong to the Railway Preservation Association, which is strictly on the side of "real" restoration (that is, a full-scale undertaking providing a passenger service) and against both the unwordly romantics who flock briefly to the call of some misguided enthusiast, melting away as if by magic when the work becomes apparent, and those who would buy their well-loved, familiar chuffer to let it rot swiftly away in the children's playground. They are in deadly earnest about what one hesitates to call their hobby, as well they might be: they are spending real money, after all.

The price of land and track may be anything up to £15,000 a mile; locomotives, sold at scrap value (but in as good a condition as BR can manage without being foolishly philanthropic), may cost between £700 (for a small tanker) and £3,000 (which is mentioned among enthusiasts as the price of the famous "Flying Scotsman," now available); restoration may cost any sum the enthusiast can raise—perhaps £150 to £500 for a simple overhaul and livery-painting to £4,000 for a complete overhaul (which BR give their engines every 100,000 miles or so). This sheer spending of money is a separator of mere dilettantism from true devotion. There is only one personally owned standard gauge locomotive (it runs on the Bluebell line) in the country, and the suggestion that this sort of ownership may become more popular is not countenanced any more than another suggestion that locomotive preservation, even by groups, may become what the revival of vintage cars once was. On the face of it, this is plausible: the most lavishly restored engine, left without its customary housing and care, would be worth nothing at the end of a year.

Dr Beeching himself, the arch-fiend of the enthusiasts' demonology, is sympathetic to preservation of the serious sort—to exclusiveness, in fact: he has spoken out against the "overdoing" of enthusiasm to the point at which the market is spoiled—or, perhaps, at which it might be deduced that a concealed denationalisation had restored a profitable, if voluntary, service to too many unremunerative branch lines, when there would be a public outcry. BTC itself has somewhat ambivalent feelings about preservation: it maintains three museums, full of pretty and important things; but, perhaps for the fear that the public might still deprecate the spending of money on preservation while its transport system was cut from under it, the commission will say nothing about how much it spends in this cause. The real reason for this reticence could even be shame: for the sum allotted is said to be so niggardly that, recently, a locomotive scheduled by BR for preservation could not be handled by the Clapham museum, whose cash requirement for this work is now being collected, as a gift, by enthusiasts.

This acceptance of charity is a humiliation to be borne only by dedicated men, on whom BTC may be thought to trade; for it knows, as others with the train bug do, that its staff are enthusiasts first and stokers, drivers, sleeping-car attendants, general managers and porters a poor second. There is something about a steam railway, a spirit, a personality, that gets under the skin and makes one love it. Let nobody think that all who dote on trains are dotards.

The Economist

AUGUST 30, 1862

THE TICKET OF LEAVE

Since the virtual abolition of transportation we have had every three or four years a periodical panic in England on the subject of tickets of leave, and three or four able pens are now engaged in the leading journal in proving that the only way to prevent the garottings and violence which is rendering the London pavements unsafe in quiet streets after or even before sunset, is to abolish the ticket of leave almost if not quite altogether, and to compel the complete exhaustion of the sentence, at least in any case where there has been a second conviction, in prison. The ground on which this is put is that these felons almost always belong to the *criminal profession*, in whom the fascination of crime, or of that indolence and love of excitement which involve crime, is so strong that the hope of reformation for them is puerile,—and, again, that, even if it were otherwise, the reformation of the offender being an object quite subordinate to the protection of the public, the greater security to the latter in the additional years of the offender's imprisonment far more than counterbalances the loss of hope to the former. The outcry against tickets of leave, as they are granted by our present Director of Convict Prisons, is natural and legitimate enough; but to infer thence . . . that the idea of the Irish system should be abandoned, and all the sentences unconditionally enforced without any hope of relaxation to their extreme limit, is really not to secure any new guarantee for the safety of the public, but to sacrifice wastefully one of the most powerful securities which can be taken for the public safety. Even on the strictest principles of probability, it might be shown that, in the case of a sentence for a limited term of years, to venture some portion of the temporarily preventive effect of bolts and bars, in order to gain the permanently preventive effect of a reformed disposition, is but prudent courage. The Irish system has shown how really prudent that courage is,—that the incentive of hope thus infused, does, if properly husbanded and accompanied by careful individualised instruction, change many apparently hardened criminals into good citizens. This being so, it is idle petulance to cry out against the ticket of leave in itself,—merely because under Sir Joshua Jebb's incompetent management it has added a fresh abuse to a system already exceedingly faulty.

NOTES OF THE WEEK

EUROPE

Dr Adenauer's Last Ditch

THOUGH the feeling that Dr Adenauer must go is growing steadily stronger in western Germany, there is clearly plenty of kick left in him, which he seems to be directing to a last mulish effort to keep Britain out of Europe. On July 25th the Prime Minister wrote to Dr Adenauer to seek his support for British membership of the common market at the crucial stage of the negotiations. Nine days later Dr Adenauer replied with his by now customary coolness, voicing the hope that the problems raised by Britain's entry would be solved, but emphasising that this must not upset the Treaty of Rome. Fortunately the coolness was not reflected in the behaviour of the German delegation at Brussels, who have been consistently helpful to Mr Heath in the negotiations. And on August 21st, at a meeting of the Christian Democrat parliamentary party executive, the Chancellor was forced, after a heated debate, to accept the virtually unanimous view that Britain should be given all possible help to get into the common market.

Yet in a television interview, recorded on August 24th and broadcast on Tuesday, the Chancellor threw more inflammatory material into the smouldering common market problem. When the upset in Britain over the correspondence was reported in Bonn, Dr Adenauer agreed to an attempt to get the film cut, but the attempt failed.

BERLIN

Indignation Not Enough

IF moral indignation could cure the Berlin sore, the last few weeks would have seen it over and done with. Unfortunately, diplomacy is also needed, and that is harder to come by. On August 24th the three western allies sent notes to the Russians voicing the "horror" of the civilised world at the "cold-blooded" killing of many people, including women and children, at the wall. On Tuesday Dr Adenauer followed up with a note, in calmer vein, to Mr Khrushchev, President Kennedy, Mr Macmillan and President de Gaulle, appealing to them to take steps to calm the situation in Berlin so that incidents like the shooting of Peter Fechter could not recur. Obviously these missives were meant to score points. Do they also provide an opening for renewed talks with the Russians?

For a start, the Chancellor accused Mr Macmillan of double talk. The Prime Minister, he said, had told the House of Commons on July 17th that membership of the common market did not imply membership of a political union, but soon afterwards contradicted this in his letter to Dr Adenauer. The slap was a little unfair. Mr Heath and Lord Home have made it publicly clear that the British Government wants to join in political union once it has joined the common market. But the moral—to avoid verbal evasions—is one the Prime Minister might usefully remember.

What is really serious is Dr Adenauer's suggestion that while he would welcome Britain into the common market, there was no reason at all why this need imply British membership of a European political union. For some months now there have been indications that this distinction might be the last-ditch defence of those who want to exclude Britain from the new European system. The Chancellor is evidently digging in, in preparation for President de Gaulle's visit to west Germany next week. A press interview by Herr Schröder, released on Wednesday, is a demonstration that the foreign minister is still determined to do what he can to get Britain in. Dr Adenauer's other party colleagues, who understand perfectly what is afoot, ought now to make themselves heard as Herr Schröder has.

There are some hopeful signs. The three western notes repeated a western suggestion made in June that there should be a four-power meeting to prevent the Berlin situation from deteriorating further. Dr Adenauer's note apparently avoided casting blame on anyone for the tense Berlin situation, and simply appealed to the four powers to work for a relaxation of tension in the city, meeting at whatever level they chose.

Signs that the mood in Berlin has once more become explosive make some kind of exchanges urgent. When the wall was built just over a year ago, there was a first wave of bitter indignation among the Berliners; then Herr Brandt, the western powers and the west Berlin police together managed to persuade them to be patient. The incidents of the past fortnight have brought a new wave, this time more desperate, with a suggestion of organised nihilism. Herr Brandt evidently feels he cannot hold the tide in check without going some way with it and using strong language himself. The

western powers, their note implies, feel the same compulsion. As the tides of feeling flow on, the task of talking rationally with the other side becomes more difficult. But what else can bring an easing of communication between the two halves of the city, or any other form of live and let live?

CHINA

Happy Birthday?

IN Hongkong—the prime source of guesswork about what goes on inside China—the current guess is that the Chinese may explode their first nuclear device on October 1st, the thirteenth birthday of the communist regime in Peking. This is well within the period of "a matter of months" (subsequently defined to mean anything up to a year or more) forecast by an anonymous official of the United States Disarmament Agency on Monday. These nervous predictions probably spring as much from a determination not to let the first Chinese bang come as a surprise, as the first Russian one did, as from any real knowledge of Chinese intentions; but in fact China may well be in a position to let off a primitive device any time now. There has been a research reactor near Peking for the last four years, and perhaps others elsewhere, which could have produced the plutonium required for one or two rudimentary bombs. But it takes time, as the French know, to move on from this stage to the possession of a stock of deliverable weapons big enough to be a factor in foreign policy. In China's case, it will presumably take even longer to acquire modern means of delivery—unless Russia provides them.

The chances that the existing nuclear powers will sign an anti-testing treaty faded still further on Tuesday, when the Russian delegate at the Geneva conference rejected both the latest western proposals. But, even if such a treaty were to be signed, it is highly unlikely that China would subscribe to it. Mr Liao Cheng-chih, vice-chairman of the Chinese Peace Committee, said on Monday that China wanted a ban not merely on testing, but also on the manufacture and use of nuclear weapons; for good measure, he threw in a demand that "all countries in the Asian and Pacific regions, including the USA, turn this area into a zone free of nuclear weapons." The Chinese seem determined to push on until, sooner or later, in one way or another, they remove the current American nuclear monopoly in the western Pacific. When they do, the United States will have to re-examine its policy towards the whole area, not least the Formosa straits. It may be possible to protect Japan, and perhaps Formosa itself, under a two-

THE ECONOMIST SEPTEMBER 1, 1962

sided balance of terror; but not, one suspects, Quemoy or the Matsus. The moment at which this reappraisal will have to be made depends on how much help the Russians give China in acquiring genuine nuclear status. In continuing to refuse help to France in its nuclear ambitions, President Kennedy is not being entirely disinterested.

TRADES UNION CONGRESS

Blackpool Prospects

THE Trades Union Congress which opens at Blackpool next week promises to be a pretty dull affair. In one respect this is no bad thing, for the sorts of congress that have done most harm in the past have been those in which delegates have been charging around on high ideological horses. The scene was finally set this week with the publication by the general council of their two supplementary reports, bringing up to the end of the summer political season their views on the two great debates on Europe and on the Government's incomes policy. Predictably, the report on Europe is vague, while that on the National Incomes Commission is utterly stonewalling and therefore really rather silly. It might be optimistic to expect that the debates will be much better.

On Europe, there will certainly be some speeches after Lord Beaverbrook's heart from the floor at Blackpool; and some strong pro-Europeans will no doubt muffle their enthusiasm under pressure from their juniors. The most eagerly awaited speech must be that of Mr Frank Cousins, who has been urging Mr Gaitskill and the Labour party to get down off the fence. He once seemed to be standing on the pro-European side of it himself, until he realised that anti-Europeanism was going to be the orthodox course for the Left. Mr Cousins has a vast talent for obfuscation—most notably exercised in his long refusal to say whether his version of unilateral disarmament did or did not imply a departure from Nato—and it could be intriguing to see how he deploys it to explain his vote this time. At the Confederation of Shipbuilding and Engineering Unions his transport union failed to vote at all on this issue.

The Nic debate, too, is likely to give the wild men the floor. The TUC's political anti-Toryism may prove too strong for the industrial pragmatism of some of its leaders; that is why it seems unlikely that any really top trade unionists will dare to speak up and make spectacular hay with the illogicalities of the general council's views on incomes policy. But, just possibly, there could be some surprises in the speeches, although certainly not in the voting, here: this could be a good test of the increasing self-confidence of the union realists who have come to appreciate, through the events of the past six months,

NOTES OF THE WEEK

that the movement's ideology, as well as its tactics, needs a stern shake.

One other debate might well deserve attention. Mr Cousins's progressive *alter ego* has tabled a motion drawing attention to the recent progress made by workers in securing fringe benefits, and calling on the general council to make a general inquiry into what can and should be done in this direction. It is precisely along these lines that the union's central organisation could gradually (too gradually) build up the all-embracing influence that it needs to have over its constituents, and that could eventually put it in a position to take over some coherent leadership. Mr Woodcock has himself appeared keen on this approach: with him and Mr Cousins pushing from the same side, the TUC might even make a perceptible advance.

LABOUR TROUBLES

Lightermen's Folly

THE activities of some member-unions of the TUC this week have not been calculated to gain that body sympathy on the eve of its annual meeting. First and worst came the strike in London docks by the 3,000 members of the Watermen, Lightermen, Tugmen and Bargemen's Union. Negotiations over the consequences for these men's overtime earnings of the big rise in wages and cut in working hours at the docks last May were allowed to drag on—perhaps as much by the employers as by the men—until the time arrived for their application this week. This argument about new overtime rates after a wage settlement is quite usual; but everyone, including the watermen's leaders, seems amazed that what had been supposed to be a technical controversy about adjustment has ended up in a blazing row. The other unions in the port have recommended that the dispute should go to arbitration, but the lightermen have stayed on strike.

Behind it all lies the declining position of the union in the docks. Its members' most important function is to handle the lighters or barges that receive cargo directly from a freighter, usually as a supplementary means of unloading it while most of the cargo is going out over the ship's other side which is up against dry land. But the increase in mechanisation ashore, and the use of lorries to shift goods round the docks, have diminished the barges' importance. Although the union has limited entry to the trade, there is often not enough work for all. The men's earnings are kept up to their present pretty high level by the demand for their services for rush jobs when ships want to be particularly quickly unloaded at weekends or in the evening. Hence the importance to lightermen of their overtime rates.

Another old-fashioned and restrictive group in London docks, the tally clerks (not a separate union, but a semi-autonomous

section of the Transport and General Workers), caused the last major stoppage in London, helped by the unofficial support of many ordinary dockers. This time the tally clerks' trouble was quickly settled. The Transport and General Workers is stoutly pressing the watermen to return to work, and has accepted a settlement for its own people: its leaders have learned how deeply the trade union movement can be damaged by this kind of stoppage—even when, as now, it disrupts only a part of the normal traffic of the port.

Railwaymen's Error

THE same kind of unpopularity will attach itself to the National Union of Railwaymen soon enough, unless its leaders visibly do something to deter their members from pointless lightning strikes and from gross personal rudeness such as that shown to Dr Beeching this week in Scotland. The railwaymen threatened by closures have the asset of enormous public sympathy: they also have the best possible case for generous compensation and retraining if they do lose their jobs. But, as a practical point, if one wants to protest against the possibility of a line being closed down because of insufficient traffic, it is not very useful to do this by scaring away still more traffic through organising a strike; and, as a means of attracting further sympathy, to stand in front of television news cameras shouting "boo" at Dr Beeching can do no possible good in the world.

The last of the trade union idiocies that needs calling to the attention of delegates Blackpool-bound is a stoppage at a steel-works at Corby in Northamptonshire, where another squabble has broken out between the union of the craftsmen bricklayers who line furnaces with refractories, and the Iron and Steel Trades Confederation which recruits most of the other workers in the plant. Here again the union structure is proving itself not sufficiently flexible to absorb new problems without a period of spasm. The squabble is about who should instal the linings of a new sort of furnace, and the verdict of the ordinary silly-season newspaper-reader is likely to be that if the unions can't sort that one out they had better go back to school.

GHANA

Osagyefo Repentant?

THE deep, black secrets of African politics can never really be probed by outsiders: when they are Accra secrets, even Ghanaians are sometimes puzzled. On Tuesday President Nkrumah relieved his minister of information, Mr Tawia Adamafio, of responsibility for the civil service, and removed two deputy ministers. At the same time the minister of justice, Mr Aaron Ofori-Atta, was attacked by the

Ghanaian Times, which means by fellow-minister or ministers unknown.

On Wednesday Dr Nkrumah apparently decided that he had not gone far enough. Detention orders were issued against Mr Adomah, against the executive secretary of the Party, Mr Cofie Crabbe, and against the foreign minister, Mr Ako Adjei. The actions against Mr Adomah and Mr Crabbe seemed explicable to Ghanaians; this was Dr Nkrumah's way of putting the increasingly bumptious left wing in its place. But why then Mr Adjei, a moderate (it is assumed) and a man of very different beliefs from those held by Mr Adomah and Mr Crabbe?

One explanation—and none can be wholly true—might be that Dr Nkrumah is so determined to curb the recent excesses of the men on his left that he has felt the need of a sacrifice from the Right to cover up his actions. The struggle within Ghana between the churches and the state that led to the expulsion of Bishop Roseveare on August 13th has not abated: the churches are still determined to resist the spread of Dr Nkrumah's totalitarian-minded Young Pioneers movement. Men like Mr Adomah and Mr Crabbe have proved themselves equally determined to defeat the churches. (It is thought in Accra that these men used to deport first and ask the cabinet for advice afterwards). In such a situation, Dr Nkrumah might have made up his mind to avoid an open clash. Will he now go even further and invite Bishop Roseveare and other deported people back? The answer must lie deep in Accra's darkness.

AFRICA AND EUROPE

Neo-anti-colonialism?

WHY, the Nigerian prime minister asked on Monday, does Britain want to drag countries like Nigeria into the European common market? The question might be better turned about: why do countries like Nigeria hesitate about seeking association with the common market, when not to be associated will mean getting on the wrong side of tariff barriers against most of their products?

The answer is that Nigeria, Ghana, and Sierra Leone are against association for political reasons; Ghana most of all. These countries believe that "associated status" is a French device designed to maintain French influence within its former colonies. In this, of course, the English-speaking Africans are quite right; those of them that design to attend the Commonwealth prime ministers' conference will hammer the point home. Their mistake lies in their inability to make peace with one another long enough to band together (with, say, Tanganyika) and do something about it.

The best thing to do would be to accept associated status (this could hardly result in Accra voting the French way at the United Nations), and set about replacing

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the ties that bind francophone Africa to France and Europe with new ties that would bind the African states to each other. The economic and cultural ties to France are not weakening. Guinea and Mali, which tried to break them abruptly, seem to be succumbing to the blandishments of president Houphouët-Boigny of the Ivory coast: it is possible that they will rejoin the group of French client states within Africa.

Nigeria has gone some way towards building up a counter-attraction: it belongs to a wide group of African countries, whose heads have met at Monrovia and Lagos, and which includes francophone Africa. By working from within—and without real danger to itself—Nigeria could coax the French countries into sturdier independence of France; it might also guide them into diversifying their economies and reducing the degree of their economic (and therefore political) dependence upon Paris. But staying out will help no one.

FOOD CONSUMPTION

Chicken and Pig Fed

ALTHOUGH Britain is much richer than in the so-called hungry 1930s, one of this country's most remarkable perversities is that it does not seem, at first sight, to be eating so very much more richly than it did then. Add in all the juices and canned varieties, and the British still eat, a head, less fruit than before the war. Add in all the frozen beans and peas, salads and canned vegetables, and they eat only 5 per cent more vegetables. Despite the popular steak houses we eat less beef, but about one-sixth or one-seventh more potatoes and sugar. Waistlines still exist because of the

EATING IN 1961 (Weekly Food Supplies a Head)

	Actual quantity (in ounces*)	As an Index Prewar=100
Meat	36.1	107
Poultry	3.1	286
Fish	6.3	78
Milk (pints)	4.9	150
Eggs (number)	5.1	120
Cheese	3.1	115
Butter	6.1	80
Margarine	3.9	146
Sugar	32.6	114
Tea	2.9	102
Coffee	0.6	300
Flour	50.7	85
Potatoes	68.2	117
Vegetables	38.9	105
Fruit	36.6	96

* Except for milk and eggs which, as stated, are pints and number respectively.

fall in bread consumption. The average diet contains less carbohydrate than it did before the war—but, surprisingly, only 3 per cent less. It is still a great deal starchier than the American one and looks like remaining so, for the British seem much more resistant to change.

The energy content of the diet has settled down at around 3,250 calories a day (on FAO standards) compared with 3,120 calories before the war, the big change being the extra protein derived from eating

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or drinking more dairy produce. But this is not a change that has come about in the last few years. Consumption of both milk and cheese has recently been standing pretty steady, well above the prewar level but some 5 per cent less than in 1951. Butter and margarine jostle with each other, but the total consumption of fats has risen only very slightly of late. Meat consumption has gone up by under 1 per cent a year since 1956, although it rose more sharply last year; fish consumption has dropped back to its 1953 level. Twice as much poultry is eaten as five years ago, and three times as much as before the war; but by weight this is still only one-half the amount of fish eaten and less than one-tenth of the total amount of meat. Beside chickens, the foods that have never had it so good include pork, eggs and coffee. No doubt much of the extra money going on food is directed towards better quality and more highly processed foods. Despite the competition from frozen foods, canning, except of fish, seems to be holding its own. Last year more canned fruit and vegetables were eaten than ever before.

SECONDARY SCHOOLS

Who Stays On?

NORTHERNERS often say that one reason for their region's industrial and social decline is that schoolchildren are "unfairly" given the chance of a much better education in the south. It is true that the north has a higher proportion of indifferent or downright bad school accommodation, and that the effect of the population drift has been to concentrate much new school building in the southern regions of rapid population growth. But the latest Ministry of Education statistics,* published last week, breaking down secondary education by local authority areas, do not substantiate the idea of a decisive cleavage along the Trent. In England as a whole, 17 per cent of 13-year-olds have grammar school places. Parents who want their children to have an above-average chance of going to grammar schools should think of settling in northern counties like Westmorland (where 27 per cent of 13-year-olds are in grammar schools) or Cheshire (26 per cent); they will not have the same chances in Essex or Kent. While some northern towns have a distinctly bad record (e.g. Bootle's 12.9 per cent), south-east coast towns like Ipswich (14.3) and Brighton (18.9) compare unfavourably with Blackpool (22.9) and Huddersfield (24.6).

The southern advantage shows up more clearly in the percentage of pupils staying on at school to the age of 16. Although industrial apprenticeships account for some of the difference, most of the bad performances (below 15 per cent) are to be found in places like Gateshead, Grimsby, Oldham and Salford; here West Ham (10.4) is 6d.

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V/STOL-330 BC

From a French woodcut dated 1506

This early example of vertical or short take-off was conceived by Alexander the Great around 330 bc. Alexander's idea was to tempt four harnessed gryphons into the air by placing food above the passenger cage. The project never passed the paper stage.

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The V/STOL P 1127 obtains lift and thrust from the Bristol Siddeley Pegasus

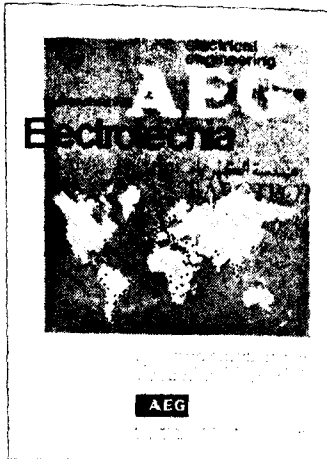
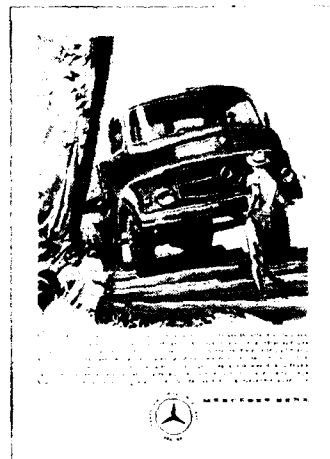
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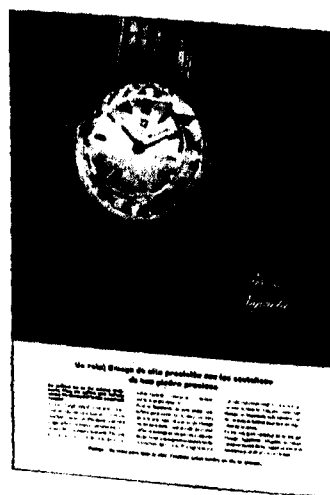
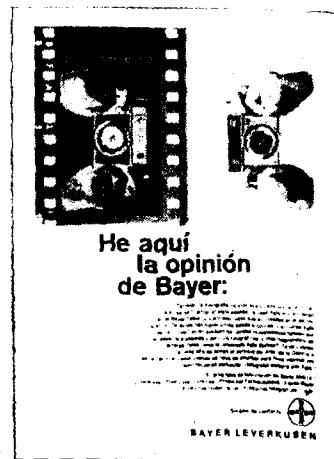


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* of 1069 ad pages in Vision in 1961.
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per cent) reveals itself once more as the southern borough that invariably reproduces the worst northern characteristics. An expected variation is for girls to stay on longer than boys in parts of the north, but to fall sadly behind boys in the middle-class and clerically-occupied south. Thus, Croydon has 29 per cent of boys remaining to the age of 16 but only 21 per cent of girls — seemingly a reflection of the demand for junior office staff in central London.

Much the best performance for staying on comes from Wales. In Cardiganshire 30.6 per cent of girls stay until they are 17 (all to become school teachers?) and both Caernarvonshire and Merionethshire claim over 25 per cent, compared with an English average of only 8.8. Despite the growth of comprehensive schools in Wales, over 25 per cent of Welsh children have grammar school places. Wales's trouble, like Scotland's, is that much of this educational investment is lost by emigration.

ARAB LEAGUE

Nasser's Fast One

THAT President Nasser is not to be beaten at his own game was shown when, on Tuesday, the Egyptian delegation walked out of the Arab League meeting at Shtaura in Lebanon. Cairo's conflicting statements, which left it vague whether or not the United Arab Republic meant to withdraw from the league altogether, sent the less committed members of the league into an aghast hunt for soft words. The meeting had been called by Syria, closely supported by Jordan and Saudi Arabia, in order to try to corner Egypt in the dock on charges first, of hatching and promoting plots against the Syrian government and, second, of selling the rights of the Palestinian refugees for American wheat. But even before the meeting began on August 22nd, an arrogantly provocative gesture from President Nasser showed, once again, why Egyptians are both detested and admired by other Arabs. To answer the Syrian charges, the Egyptian delegation was led by Mr Akram Dayri, a Syrian who was a minister during the union and has opted for Egypt.

The Syrian government had allowed it to be understood that unless it got satisfaction at Shtaura it would consider withdrawing from the league, taking Jordan and Saudi Arabia with it. These three, together with Iraq, might then, so the story went, start up a new league of Asian Arab states. This defiance of Egypt would have raised so many problems that it would probably never have happened. Even so, President Nasser has got in first. By walking out of the meeting and half-threatening to abandon the league, the Egyptians have wrecked the propaganda effect of the Syrian manoeuvres.

Although the Egyptians have always been dominant in league affairs, this has not prevented them from treating the institution with a good deal of contempt. The league

is a forum of governments, and President Nasser has usually found it more expedient to talk to the "people" over the heads of their governments. All the same, the Egyptian gesture is more likely to be tactical than final. The league has survived the prolonged absences, at different times, of Jordan, Tunisia, and now Iraq. But Egypt's departure would be a mortal wound. It will be better, for all the disappointments that have marked the league's history, to keep it alive.

Monarchs on the March

WITHOUT waiting for the confused octopus of a league to sort itself out, King Hussein and King Saud have made their own gesture of unity—and defiance. On Wednesday, after a three-day meeting at the Saudi town of Tayef, the kings announced that they had agreed to merge their armies (whatever that may mean) and establish a joint military high command. Their purpose, they claimed, was to work for the restoration of Arab rights in Palestine—a claim that seems intended to show up President Nasser's alleged defection from the Palestine cause, rather than to frighten the Israelis. Possibly the new merger will last longer than the short-lived joint command of Jordanian, Syrian and Egyptian forces in 1956; for one thing, Saudi and Jordanian troops, most of them bedouin, get along well together. But with Prince Talal planning to set up a Saudi government-in-exile at Cairo, there seems a chance that by getting together the two monarchs will double their troubles rather than double their security.

PROBATION

More Hostels Needed

WHEN a juvenile court wants to remove a delinquent youth (or one who is "beyond control") from his home environment, without subjecting him to the long-term residential training of an approved school, it may recommend that he go to live in a probation hostel. These hostels have been set up over the last fifty years by voluntary bodies, but they now rely almost entirely on public funds, except for the contributions made by the residents themselves towards their keep. The young people remain under the general supervision of the probation officer, but have the additional discipline of living in a hostel, keeping regular hours, eating regular meals and handing over their pay packet to the warden, who takes a contribution for their keep, returns a fixed amount as pocket money and sees that the rest is saved.

According to the second report (Cmd. 1800) of the departmental committee on the probation service, there are now 20 hostels for youths in England and Wales (with 399 places) and 12 for girls (with 249 places). In

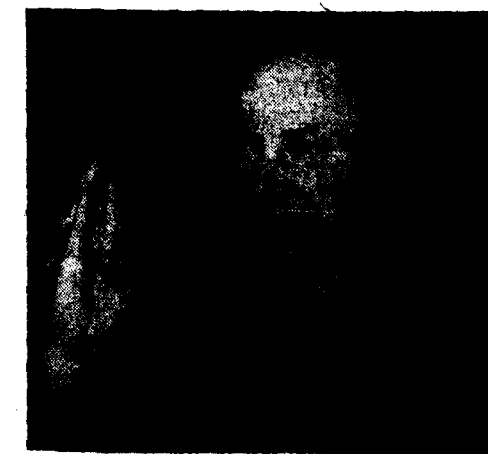
Scotland, there are no probation hostels *per se*, but voluntary homes, registered under the Children Act, which are approved as probation hostels but are primarily for children in the care of a local authority. The committee recommends that this Scottish system should cease. It also recommends that one or two additional hostels should be provided for each age group and that these should be set up and managed by probation committees. Sometimes the wardens, who are frequently untrained, have difficulty in co-operating with the probation officers and in understanding that a delinquent youth needs not just to be disciplined but to acquire self-discipline. If a hostel is run by a probation committee, and particularly if—as the Morison committee further recommends—a probation officer himself is occasionally appointed as warden, the hostel regime should be much more valuable.

There is nevertheless bound to be increasing difficulty in finding suitable staff to run the existing hostels, let alone new ones. The Morison committee recommends that wardens should have at least a one-year training. This, of course, means that their salaries should be appropriate for trained staff. At present, the maximum salary for a warden is £780. To name a more realistic figure was outside the scope of the Morison committee's terms of reference, but it recommends that the level of all hostel staff's salaries should be urgently reviewed. The major mistake made during the Government's pay pause was the un-economic stinginess shown towards probation officers; it is to be hoped that this will not now be repeated for hostel wardens too.

POLAND

Step by Step

IN the running battle of church and state in Poland, the state has scored a notable advance by making up its mind to carry out a law passed last year, and to take over within a year all schools and orphanages run by monks and nuns. The government's intention was formally admitted on August 13th after Cardinal Wyszyński had publicly



Cardinal Wyszyński: "Religious War"

complained of the manner in which some of the takeovers had been carried out. By that time 17 out of 50 schools, and 30 out of 460 orphanages, still remained in the hands of the religious; in a conciliatory statement a government spokesman said that some of these, for special reasons, would be left as they are for more than a year. He denied that any monks or nuns or children had been thrown out on the street. This does not mean that there was no unpleasantness.

Thus all Polish secular education will soon be in the hands of the state. It is of course an anomaly that any of it should have remained so long outside communist control. It is also a tribute to the strength of Catholicism in Poland; Mr Gomulka's regime has seen the wisdom of proceeding slowly and as circumspectly as possible. A year ago religious teaching in schools was banned, and the authorities were given wide powers of control over all educational activities outside schools. Now the communists have taken another step towards whittling away Catholic influence in education.

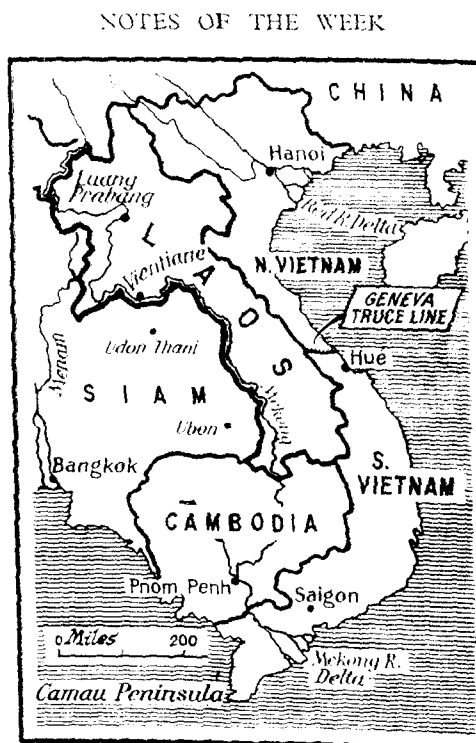
Among Catholic prelates behind the iron curtain, Cardinal Wyszyński enjoys a unique freedom to say what he likes, from the pulpit or by episcopal letter, about relations between church and state. Last Sunday he spoke before a vast concourse of pilgrims at Czestochowa, where in the Jasna Gora monastery the Poles keep their famous and much revered painting of the Black Madonna. Although he referred to the state's "planned atheism" (thinking, perhaps, of the recent takeover of the church schools), his speech seems on the whole to have been less fiery and more conciliatory than many of his previous utterances on the church-state conflict. All the same, his suggestion that progress in Poland was being held back by the "religious war" being waged by the state can hardly have pleased his communist listeners.

VIETNAM

Peninsular War

THE note of cautious optimism that has crept into American official comments on the guerrilla war in south Vietnam finds some justification in the latest news. President Diem's army launched an offensive in mid-August in the Camau peninsula, in the extreme south. Some 4,000 troops are being used, most of them landing by helicopter at selected villages; by the beginning of this week, it was claimed that about 400 communists had been killed and 100 captured.

The Camau peninsula remained a Viet-minh stronghold throughout the Indochina war, and the French, whose energies were concentrated on the more important Red River delta in North Vietnam, never got the communists out of it. The South Vietnamese, with massive help from the Americans, have evidently decided to clear the entire area of guerrillas. Tactically, they have a fair chance of success, in that the



peninsula has no common frontier with a neighbouring country and the guerrillas are therefore not able to slip away into Laos or Cambodia, as they can elsewhere when hard pressed.

A few days after the offensive began the North Vietnamese government called for the establishment of a neutral government in South Vietnam as part of a neutral belt that would include Laos and Cambodia. This is a disingenuous proposal if it is not intended—as it clearly is not—to include North Vietnam as well. There was a time when the idea of a neutral, or a demilitarised, zone in Indochina would have made sense. Now, with war in South Vietnam and a settlement in Laos that has yet to prove its value, is not the time.

The North Vietnamese are not the only people calling for a change of government in the south. A group of nationalist exiles met in a junk in "South Vietnam's territorial waters" early in August and did likewise. They included the leaders of the abortive *coup d'état* of November, 1960, and there can be little confidence that they will succeed now where they then failed. No change is likely while the United States continues to support President Diem; and though the Americans have their reservations about his regime, they are unlikely to back his enemies while his army will fight.

BUSKERS

Roundhead Revival

THE old order changeth, aided heartily in its senescence by the Metropolitan Police, patently bent on depriving Londoners of anything which might distract them from their gloomy appraisal of striptease photographs, half-built (or half-demolished) towers, and The Weather. The first to fall beneath what is obviously

a recrudescence of Cromwellian prudery were those jolly scrums at Trafalgar Square, in which, of a Sunday, the gaily caparisoned and ecstatically chanting youth of London were wont to pursue the civic sports of punching up, or prostrating themselves before, their political opponents. Yet there has been a more staggering blow at the very heart of British quaintness—at the buskers, or street entertainers.

Infinite of wit (and daring, too: King Farouk was hardly off his throne before they lampooned him—and they do it yet), the busker would set your sorry Londoners on a roar as they stood, mortified and chastised, in dripping line outside the cinemas; and they loved him for it. But the busker has taken his fez and fled away. One day the official popinjays touched his shoulder, muttered "obstruction" in his ear, and fined him many pounds. Broken by the laws, he left his partisans to feed as they might, on no greater pleasures than twice-life-size likenesses of Miss Mansfield, and the great beacon fire of the Chick-o-matic Eatery. Eheu. But a fortnight ago the melancholy rise of censorship suffered an apparent setback: in the name of the people a magistrate bethought him from the bench that to *cause* an obstruction (by gathering a host to crack its sides at the richness of the jests) was not to *obstruct* the free passage of soberside citizens with nothing better than their dim and paltry lives to attend to.

Unhappily that stroke for freedom could not suffice to turn the tide. No sooner had the busker triumphantly returned, plaudits dinning in his ears, success sweet in his false nose, than that killjoy power (powerless, except upon complaint, to curb him otherwise) haled him once more before the bench, and charged him with obstruction as if the words of freedom had never been uttered. This time the prosecution succeeded. The busker, veteran of London Pavilion, British trade pavilion and Leicester Square, is doomed, victim of sectional demands for pavement space and quiet. Speakers' Corner, moved to obscurity already, may be the next to go. Then a long farewell, indeed, to all our quaintness.

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Irish Motorists regain

FREEDOM OF CHOICE

► It is the policy of the international petrol companies, in most countries in which they operate, to include in their petrol supply agreements conditions which limit the garage proprietor's freedom to offer motorists a choice of lubricating oils.

► For example, a garage proprietor may be forbidden to display on his forecourt any oils but those of the company supplying him with petrol; only the petrol company's lubricants may be used in his service bay.

► The Motor Accessories Manufacturers Association Ltd. accordingly welcomes the Order* issued by the Government of the Republic of Ireland,

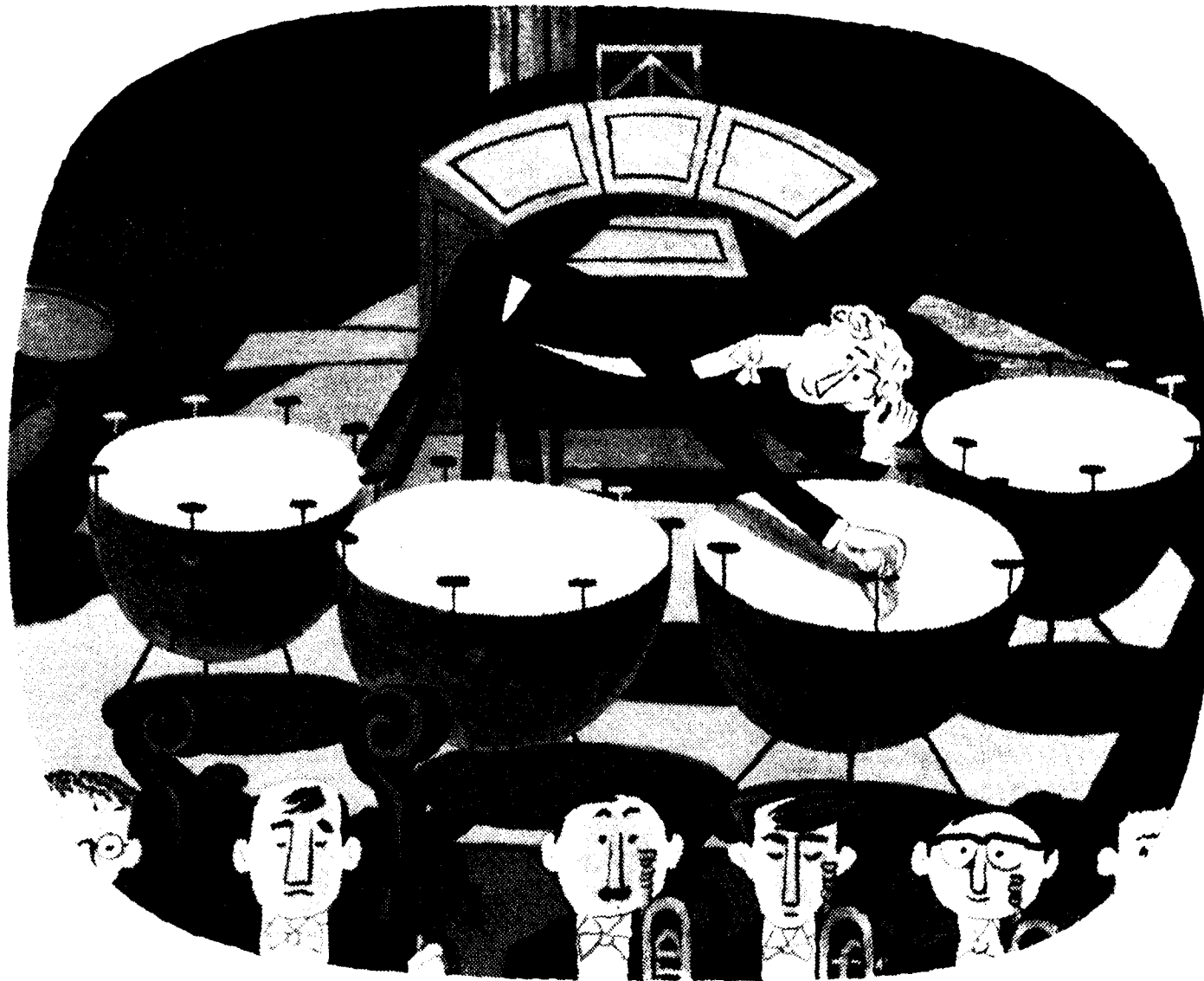
which now makes it illegal to insert in any petrol supply agreement clauses which restrict the sale or display of competitive lubricating oils. The Irish motorist has therefore regained his right to exercise freedom of choice in relation to lubricating oils.

► * On 18th July 1962 the Irish Parliament confirmed an Order made by the Minister for Industry and Commerce which, among other things, prohibits petrol supply agreements from placing any restrictions on the sale of motor oils. The Order was made following an Inquiry by the Irish Fair Trade Commission into the supply and distribution of motor spirit and motor lubricating oil.

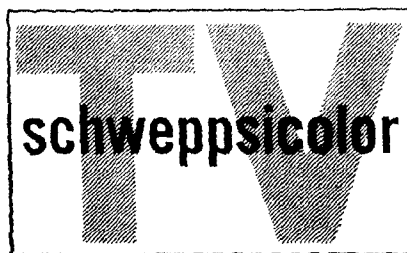
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of Beethoven's Fifth. Schubert's Unfinished Symphony stops even more prematurely. Variations are limited to two, though for the sake of our backers we make an exception of Variations on a Theme of Purcil.

Choice of soloists with personality is obviously important, but our contralto also has quite a pretty voice. Our conductor not only took second prize in Masterful Batonry, but also won a scholarship in conducting soloists back on to the stage for the second call, a part of his art the grace and gentlemanliness of which comes over well in our concert hall concerts, as can be seen from our frequent close-ups of our appreciative audience, picked for appreciating. By special permission of the conductor, the camera occasionally leaves him and pans (through the perceptiveness of a television producer with an extra-

ordinary knowledge of the musical score) on to that section of the orchestra which is about to come out strongest. To help distinguish them from the second violins, violas have been varnished purple instead of brown. It has been difficult to find double basses with cleft chins, and the appearance of some of our brass is on the inconspicuous side: but our kettle drum, who once had a recording in the top twenty, was Mr. Tymps for 1958.



Written by Stephen Potter, designed by George Him

SCHWEPPEVERSCENCE LASTS THE WHOLE DRINK THROUGH

BOOKS

The Red Army and its Officers

The Soviet High Command

By John Erickson.

Macmillan. 904 pages. 84s.

It is a curious thing that the backbones of both cold war alliances should be new armies lacking long organic growth. However, whereas the modern mass American army can claim some tenuous traditional links with the armies of the Civil War, the Frontier and the wars with the British, the Red Army dates only from January 28th, 1918, and had no wish—at least until after 1941—to emphasise continuity with Tsarist institutions. Armies are traditionalist and conservative bodies (although they ought to be the opposite); the creation of a force brand-new in every respect is a process therefore of special interest, especially when that force at the age of only thirty-four encountered, stopped and beat the German army at the apogee of its technical ability.

The concomitant of Clausewitz's diagnosis that war is an extension of policy by other means is that armies are extensions of society (or its ruling groups) by other means. In old societies, this process is deliberate. In the case of the Red Army, founded amid the chaos and crisis of the Revolution and the disintegration of the Imperial Russian forces, it was from the first consciously designed as the military instrument and the military reflection of communism. But how was it to be organised? What should be its doctrines of war? How could it be reliably and efficiently officered?

In this book, Mr Erickson, lecturer in government in the University of Manchester, begins with a detailed and closely documented account of how these problems were tackled while the new communist state was fighting for its life against internal enemies, White armies and foreign interventionists. He shows how the complex techniques of modern war made it impossible to rely for officers on workers and peasants; how therefore the ex-imperial officers (euphemistically dubbed "military specialists") that had to be recruited were politically controlled by the establishment of the commissar system. The role and predominance of the "military specialists" provided the grounds for the first Stalin-Trotsky battles. In defending the use of the "specialists" Trotsky was functionally right but politically wrong: Stalin won.

After the defeat of the Red Army's offensive against Warsaw in 1920, it settled down in peace to digest the lessons of 1918-20. From them it evolved a doctrine of war based on mobility and deep offensive penetration, but also on mass forces; not on the

élite panzer groups of Fuller and Liddell Hart. However at this time the Red Army was not only desperately short of every kind of modern equipment; Russia lacked the industrial base to provide them. The Red Army therefore turned to the other pariah of Europe for help: the Reichswehr under von Seeckt, one of the ablest general staff officers who ever twirled a monocle. The Germans provided equipment, technical knowledge and money; the Russians sites and space. Technical experiment was paralleled by intense discussions on tactics and strategy. After 1930 German collaboration diminished, as the five year plans for heavy industry began to give Russia its own technical base. By the mid-1930s the Red Army numbered 90 rifle divisions and between 3,000 and 10,000 tanks. Three rifle divisions were motorised, as were one-third of corps artillery and half the flak. Its doctrine, a result of the interplay of functional needs and Marxist theory, remained offensive, based on forces in great depth—tanks, guns and aircraft opening the way for infantry masses; in fact, as in 1941-45, two armies. With a new General Staff and a talented leader in Tukhachevsky, the Red Army had reached a level of professional competence and independence creditable in so young a force.

However in this growing professionalism Stalin saw great dangers for his regime; the result was the shooting of three out of the first five marshals of the Soviet Union and the purging of officers down to the rank of colonel. Hitler's experiences with his own officer corps suggest that Stalin's judgment may have been politically sound. Mr Erickson calculates that between a third and a half of the Soviet officer corps were affected. To this purge, to the close political control clamped again on all units and to Stalin's rigid bureaucratic methods, Mr Erickson attributes the poor showing of the Red Army in the winter war of 1939-40 against Finland and (together with Stalin's refusal to believe the Germans were about to attack him) the colossal defeats of the summer of 1941. The book ends with a description of the battle for Moscow and the Russian counter-offensive of the winter of 1941-42, when a virtually new army, composed of raw drafts and troops from the Far East, under new generals proved in action, displayed operational ability of a new kind.

The book is not convincing on the effects of the purge, although Stalin's general influence on strategic matters was a bad one. Mr Erickson does not show that the officers lost in the purges were specially able. What the Red Army lacked in the summer battles

of 1941 was the most precious of all military assets—operational experience. This the Germans had enjoyed in abundance. There are no conclusive reasons for supposing that an unpurged Red Army led by Tukhachevsky would have avoided terrible defeats at the hands of the veteran Germans.

This thorough history of the Red Army and of its political background, based on the latest sources, is extremely welcome, and it is a pity that the author should have embodied his researches in a narrative that is sometimes clumsily written and hard reading. History is an aspect of literature, as well as a quasi-science.

Elizabethan Tapestry

The Queens and the Hive

By Edith Sirwell.

Macmillan. 550 pages. 42s.

WHEN Mary Tudor came to the English throne in 1553 she was the first woman to do so since the unfortunate Matilda in the twelfth century, and she was succeeded by her sister Elizabeth. At the same time Mary Stuart inherited the throne of Scotland, so the last half of the sixteenth century saw women rulers in both kingdoms, and a new set of problems facing the monarchy. "The Queens and the Hive" is therefore not a full-scale life of Elizabeth as is suggested on the cover, but an impressionistic study of three queens and the issues raised by their rule. Because of this, much of the political and religious background is omitted, and Dame Edith uses her wide erudition and knowledge of contemporary material to recreate the Elizabethan age. Her book is full of information, lists of dances, names of songs and flowers; this cannot fail to give intense pleasure to anyone with the slightest interest in the details of the past, for her quotations are unusual and of great beauty. She adds to this her own gift of imaginative description and with it creates mental pictures not easily forgotten: Mary Stuart turning the pages of a letter to her lover Bothwell at the bedside of her syphilitic husband whose murder she is planning; Elizabeth setting out for her coronation . . . "over the wide roads, a winter firmament of black glass, from which the hooves of a thousand horses splintered great stars, moons, planets, and meteors. . ."

In style the book follows closely the form set by its predecessor "Fanfare for Elizabeth," but "The Queens and the Hive" is longer, more complex and less perfect, for occasionally the dramatic nature of events leads to banality:

A terrible shadow drew nearer—a shadow that seemed as if torn from universal Night. Then came Horror.

This seems an inadequate introduction to the massacre of St Bartholomew. But in contrast there are few assessments of Lord Burghley more speculative and stimulating than the following:

In his earlier life there was a darkness in him—a second self, hidden under that discreet,

middle class respectability, but afterwards vanished as the great character of his labours purified him. For, from a cocoon woven about him from the outside by circumstance, from inside, as the silkworm spins silk, from the central fault in his own nature that was the cause of his worldly success, greatness eventually would emerge.

A merit of the book is that Dame Edith remains detached from her characters and includes as evidence both good and evil. She accepts the Casket Letters as genuine, but shows Mary Stuart as a woman capable of greatness, who failed as a queen because of her misguided attempt to apply to Scotland the methods of intrigue and assassination learnt in France. Elizabeth achieved greatness. In the opinion of Lord Burghley she was the wisest of women—"so expert in the knowledge of her own realm and estate, as no counsellor she had could tell her what she knew not before"—but both she and Burghley were guilty of cruelty. The torturing of suspects, so long ignored by historians, is now admitted, though not everyone can agree that Catholicism in this period, even in the hands of so saintly a man as Campion, can be divorced from political implications.

The quality of compassion permeates the book. Cruelty was commonplace in the sixteenth century; but Dame Edith makes it a thing to be pitied, a flaw in the great and a sin in a nation. Among the appendices is one on Ireland. It should be read by all who admire the Elizabethans.

"The Queens and the Hive" is an individual interpretation, and it is possible to disagree with some of the views expressed in it. Nevertheless the wealth of information, the splendid descriptions and the imaginative detail make it a book not easily forgotten.

Overpraised Poet

Mrs Browning: A Poet's Work and its Setting

By Alethea Hayter.

Faber. 261 pages. 30s.

HAS a writer ever been more extravagantly over-praised than Elizabeth Barrett Browning? Lander thought her the greatest English poet since Milton; Sidney Dobell wrote a sonnet extolling her as a feminine equivalent to Shakespeare; Ruskin proclaimed that *Aurora Leigh* was the greatest poem in the English language, surpassing even Shakespeare's sonnets. Were they all besotted by the spectacle of a woman exhibiting so much creative energy? Needless to say, Miss Hayter does not share their hallucinations. She disarmingly remarks of the ballads and *Lady Geraldine's Courtship*, "it is almost impossible not to dislike these poems very much indeed," and the manifold defects of *Aurora Leigh* are as plain to her as to the most censorious reader. But she does think that Mrs Browning is a poet to be taken seriously, and she has devoted this book to an account of her poetic development. This is

a welcome change from the psychological-biographical approach, and Miss Hayter certainly succeeds in impressing on us the amount of sheer hard work that Mrs Browning put into the study of prosody, into translation, into the acquisition of a technique. She was a scholar, and she lived the life of a dedicated poet—an extraordinary thing for a woman to do; she wrote copiously over a long period, and in a good many modes. But does her poetry really deserve exhumation?—for dead and buried nearly all of it is.

Miss Hayter puts up an excellent case for the defence, examining with care Mrs Browning's metrical experiments, focusing attention on her myths and imagery, selecting for praise the better passages from her extremely uneven output. But the sheer profusion tells against her now; the daring topicalities that arrested or shocked her contemporaries, the hysterically strident tone (connected perhaps with opium-taking), the would-be sublimities descending abruptly into bathos—these are not qualities likely to endear Mrs Browning to readers who tend to like their poetry dry upon the palate, ironic, witty, close-textured. Fashions, however, change, and maybe some attention should be paid to the testimony of Browning himself—a prejudiced witness, certainly, but a genuine poet. He was convinced that she possessed the true creative power, superior to his own painstaking, clever, deliberate craftsman's talent. It is conceivable that her eloquence will one day commend itself again to the English public, and Miss Hayter's sympathetic study should bring that day nearer; but it does seem a very hypothetical day indeed, and a very long way off.

Case Creation

The Caseworker's Use of Relationships
By Margaret L. Ferard and Noel K. Hunnybun.

Tavistock Publications. 141 pages, 20s.

SOCIAL work today is in the process of being "professionalised," and the worthy amateur, equipped with no more than good sound common sense, is fast disappearing. Nowhere is this more evident than in the field of psychiatric social work. This book is an attempt to provide a basis for a disciplined approach to such casework, grounded firmly on the principles of psychoanalysis. The ideal caseworker, the authors argue, must be, first, a good listener; second and more important, her knowledge of psychoanalytic principles must enable her to have a good deal of insight, both into herself and into the person she is dealing with.

However, the disadvantage of this approach, as has been argued by Lady Wootton elsewhere, is that it may lead to the creation of a "case" where none previously existed. For example a woman who came for assistance with a genuine housing problem was felt by the caseworker to have a

marital problem as well, for which it was presumed she needed treatment. This raises an important point. After all, a great deal of social work involves the provision of some specific service to assist with a specific problem whether it is arranging for a home help for a sick mother or a meal on wheels for an old age pensioner. These people may well have emotional problems, but then so have we all. The authors of this book are undoubtedly sincere in their desire to offer people in need the best possible help, but it would be a pity if the "new style" social worker they envisage did not allow these people to choose for themselves exactly what kind of help they required.

Portent of Dalena

Economic Development and Social Change in South India

By T. Scarlett Epstein.

Manchester University Press. 369 pages. 42s.

DR EPSTEIN'S book is a study of the impact of irrigation in two Mysore villages: Wangala, which was irrigated twenty-five years ago; and Dalena, which remained dry. The results are the opposite of what might have been expected.

Wangala has remained orthodox, wasteful, backward. The villagers spend a great deal on weddings, do not educate their daughters and allow few of their boys to attend school regularly since they are needed in the fields. Except for the sugar cane factory, they have little contact with the outside world. The poor have remained poor—only the rich were able to benefit from irrigation; and they can borrow money from the Government at 6 per cent to lend it at 12 per cent so that all irrigation has done in Wangala is to increase the gap between rich and poor.

In Dalena the whole village has responded to the challenge of irrigation in the region; it has responded by diversification, and this diversification has brought not only relative wealth but also emancipation in its wake. Dalena villagers first made money working for the Public Works Department when irrigation was established in Mandya; then they worked in the sugar cane factory and made money during the war in the black market; that money brought electricity to Dalena and two rural factories. Many of Dalena's villagers work in town; one owns a lorry and carts on contract; the others cart for Wangala villagers. The money thus earned is spent on bicycles, gold watches, houses, private wells, education—two of Dalena's men are clerks and one is a university graduate—and on the purchase of wet land for status reasons. Such diversification can be achieved only at the expense of the old rigidity. Caste relations have become so flexible in Dalena that it has been possible for villagers to improve their status by marrying or taking jobs above their station.

Irrigation, which has petrified Wangala to which it was given, has enabled Dalena, to which it was denied, to take off.

Dr Epstein's book explodes many other preconceptions. It is usually believed that the Mysore administration is efficient and honest; yet she found 2 per cent of the irrigated land entered on the Wangala's records as dry land. It is believed that the sanctity attached to Indian cows makes it impossible for them to be put to the plough; yet in Dalena dry land is ploughed by cows. It is widely believed that villagers keep their bullocks as we do horses; yet in both villages they were traded in as we do cars. Cow dung, one is told, is used in India as fuel; but in Mysore it is used as manure. There is a widespread belief that only aboriginals and untouchables keep hens; yet in Dalena caste villagers keep hens. All this ought to be good news for those who try to improve Indian agriculture. Every government survey shows that expenditure exceeds income, so that indebtedness grows from generation to generation. Dr Epstein found that incomes match expenditure and that indebtedness rises with affluence as the rich become more creditworthy, and thrift has no cachet in India. Everybody has heard of the Indian system of the joint family; only 10 per cent of Dr Epstein's families were joint.

Too much of what has been said about India has depended on out of date generalisations or superficial observations. Dr

Epstein is one of a group of scholars like Bailey and Mayer who are at last providing the facts on which a proper policy can be worked out.

Polar Backyard

Australia in the Antarctic

By R. A. Swan.

Melbourne University Press. London: Cambridge University Press. 456 pages. 57s. 6d.

ANYONE who looks at one of those maps of Antarctica showing the national territorial claims (now, aptly and happily, frozen by international agreement) will be struck by the fact that the largest slice of the cake is labelled Australian Antarctic Territory. If he wants to know how this came about, and whether it is justified, let him read this book. The Australian attitude towards the Antarctic is rather different from the British, in spite of close collaboration, largely because the Australians are so much nearer. Yet effective interest has only really been aroused in the last fifteen years. Like Canadians, Australians have had more than enough to do at home without bothering much about their polar backyard. And in each case there was one outstanding figure (both, significantly, geologists) who by example and advice persuaded their governments to act.

Mr Swan has written a thorough and painstaking survey. He shows how Australia

lian interest has gradually grown. One can feel that no significant event is left unrecorded, from the meetings of the First Australian Antarctic Committee in 1866 to the field programme for the Australian Antarctic station in 1959. His sifting of a mass of literature is impressive. His final chapters on the territorial claims and the Antarctic Treaty of 1959 will be of interest to many not specially concerned with the Antarctic. And yet, at the risk of appearing ungrateful for a highly commendable service, it must be confessed that the result is not a story one cannot put down. The author has rightly decided that more must be said than just the narrative of the various expeditions, and he has therefore examined the events leading up to them, the motives, the attitudes of governmental, scientific and business circles. Excellent: this is what is needed. Yet something is lacking. All this is what the books and papers say happened. Messages from prime ministers to leaders of expeditions seldom add much to knowledge. The really interesting events are not often publicly reported. Why, for instance, did somebody's backers let him down at the last minute? Polar explorers are notorious prima donnas. Things cannot have been as dull as this. But perhaps one is asking too much. No one is going to write another history of Australia in the Antarctic for many years, and Mr Swan's will answer almost all the questions that the seeker after detailed knowledge may want to put.

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LETTERS

Kenya

SIR—I would like to correct the erroneous impression given in the article on Kenya "Majimbo for All" on August 18th. Your correspondent seems to agree with Mr Kenyatta's statement, "there are signs of another Congo in Kenya"; then later in the article he says that the Kadu policy of Majimbo, "originally put forward as a sane regionalism designed to check would-be dictators at the centre, has rapidly degenerated."

The fact of the matter is that the discussions in the council of ministers to finalise the details of the regional constitution have progressed well, with both parties showing a spirit of co-operation, and Kanu tribes, other than the Kikuyu, who hitherto rejected regionalism, are now starting to become its champions. In fact, all four Kamba leaders have declared wholehearted support for their region as it appeared in Kadu's map six months ago. The Luo also, who form nearly half of Kanu, are publicly declaring their dissatisfaction with Mr Kenyatta's constant denial of regionalism.

Both Mr Kenyatta and your correspondent seem to have missed the point over the troubles in the Congo. These arose simply because different peoples within the Congo wished a certain measure of autonomy in their own affairs and were not allowed it. The attempted imposition of policies from the centre failed and caused the chaos that could have been averted through the acceptance of a federal type of constitution. This has at last been seen, and United Nations experts have just started work on such a constitution for the Congo. It is fortunate for Kenya that we are set upon the right constitutional road before gaining independence.—Yours faithfully,

M. MULIRO, Vice-President,
Kenya African Democratic Union
Nairobi

*

SIR—Your conclusion that about 60,000 whites in Kenya may have to be rescued will be welcomed by everyone who has been trying to get our Government to face this fact, ever since the Lancaster House conference of January, 1960. But to blame the whites, as you seem to do, for keeping Africans divided is a dangerous fallacy—dangerous because it carries the corollary that once the whites go, the way will be clear for African unity. This is not so.

Europeans did not invent tribalism and the idea that they are nefariously encouraging it is simply a myth, cultivated—and no doubt sincerely credited—by many African nationalists. It is even less in the interests of the Europeans than of anyone

else that Kenya should once again erupt into civil war.

Aside from foreign rule—colonialism—there are only two ways by which tribal war can perhaps be averted. One, the way of Ghana, Guinea and most of the other independent African states, is that of the one-party state and dictatorial rule. The people who will do the dictating are those who get control of the army and possibly police—the majority party. That is why the group of tribes supporting Kadu fear the Kanu majority. They believe that their rights would be swept away and their land taken, and they are almost certainly right.

The other way is federalism. In a country as weak and poor as Kenya, a true federal structure is probably impossible and everyone can see the disadvantages. But as much federalism as possible is the only alternative to the oppression of all minority groups by a strong unitary party on Nkrumah lines.

Now the situation is immensely complicated by the split within Kanu, basically a Luo-Kikuyu split but also one between two types of African leader, the men of the past exemplified by Kenyatta and Odinga, and those who think in modern terms like Mboya. Obviously Kenya will have a better chance of stability if it is governed by men like Mboya than if its armed forces fall under the control of people stuck in the groove of a monkey-skin-and-Mau-Mau mentality.

Meanwhile Kenya's economy is shrivelling and unemployment, resulting from the closing and retraction of European and Asian business, and from the suspension of all development by farmers, is getting out of hand. To attempt to counteract this by creating government jobs financed by overseas grants or loans is to plug holes in the ship's bows while water pours in through holes in the stern.

The sad fact is that the various schemes now proposed, to cost up to £15 million, to settle African small-holders on farms hitherto owned by Europeans, add up economically to a big leap backwards. Such African settlement is designed to marry the Government's obligation to help white farmers, to whom they made promises they cannot now keep, to pull out of Kenya, with the land-hunger of the Africans. As a result, many farms hitherto efficiently run as economic units, producing those export surpluses on which Kenya's economy is based, will be split into subsistence holdings of a kind being liquidated in every other country in the world in a position to do so. This will not create more employment but less, and may well reduce rather than expand Kenya's production of tea, coffee, pyrethrum, dairy produce and other products. In this case even the present

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standards of administration and social services will topple and *uhuru* will indeed prove to be a god that failed.

Some African politicians have recently been to Israel to see how collective farms can be run. Perhaps a solution will lie somewhere along these lines. The matter is urgent and ought to be studied at the highest levels and with the greatest despatch. The conflict is between political expediency and economic common sense. Before plumping for the first oughtn't we at least to take the blinkers off and see where it is leading Kenya's people—and ourselves, if we have got to go on indefinitely baling out a ship whose seaworthiness is deteriorating fast.

Nothing (as de Maupassant remarked) is ever either as bad or as good as you think it is going to be. So perhaps the ship may, after all, stay afloat; but only if far more attention is paid, and paid now, to the economic consequences of political action. And if leaders who at least begin to understand what economics are about come out on top.—Yours faithfully,
Malmesbury, Wilts

ELSPETH HUXLEY

Helping Hands

SIR—You take to task the *Daily Mirror* for combining a photograph of Rockwell on the front page with ban-the-Nazis articles on the middle pages. True, your front page (August 11th) carries a dramatic drawing of Sir Oswald Mosley but, in contrast to the *Daily Mirror*, you support the Government's decision to protect Nazi speakers and you urge Mr Brooke to impose "the most swingeing penalties" on their pugilistic opponents.

Your decision to put Mosley on the cover page simply underlines a fact which you implicitly deny in your note "Helping Hands"—that in modern democracies a tiny minority can draw enormous attention to itself if only it is sufficiently lunatic or criminal. Nudists stripping outside Buckingham Palace could always win banner headlines. Similarly, if somebody declares from the platform in Trafalgar Square that "Hitler was right" in his treatment of the Jews, he will be given publicity and sooner or later will provoke a riot. Given the history of European Jewry over the last eighty years it cannot be otherwise.

Mr Jordan should, therefore, never have been permitted to speak in Trafalgar Square. The fact that his group held one or two peaceful meetings was at first advanced by the Home Secretary as sufficient reason to permit further meetings. Actually, this early calm was due simply to the general ignorance of Mr Jordan's views. It was the *Observer* which, in its issue of July 1st, devoted a lengthy article, complete with sinister photographs, to the Nazi and Fascist movements in Britain.

How long would the police consider it necessary to defend a group which got up in Merthyr and in all seriousness demanded

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that the miners be shipped to labour camps in Siberia? Of course, the miners might tolerate such views because they seem so absurd. Unfortunately, the Jews can no longer feel this way about fanatical anti-semitism.—Yours faithfully,

New York

JONATHAN FRANKEL

After Thalidomide

SIR—Your article puts fairly the real difficulties involved in testing new drugs and the limitations of animal tests. However thorough these tests, the patient must be the final "guinea-pig." It is rational, therefore, that he should know what drug he is taking. At present pharmacists are not allowed to label containers with the name of the drug unless specified. This leads to waste and often to a lack of continuity in treatment. It makes retrospective inquiries about toxicity, as in the case of thalidomide, difficult and incomplete. The increasing incidence of accidental poisoning (now over 5,000 fatal cases annually) has led the Minister of Health to set up a National Poisons Information Centre at Guy's Hospital to give advice on the treatment of poisoning, of which drugs form an increasingly large proportion. Treatment to be effective must be prompt. The work of this centre will be needlessly handicapped unless the name of the preparation is known. It has been suggested that such a centre could also serve as a registry for the untoward side effects of drugs, a kind of "watchdog."

LETTERS

Many think that containers should be labelled with the name of the drug unless otherwise specified. This is mandatory in many countries and in this country in the case of patent medicines. No party seems prepared to act. The ministry would like doctors to give a lead. The various medical professional bodies suggest that the ministry should act. Pharmacists are divided. Until this overdue reform is accepted, patients (who are the final arbiters) should insist that the name of the drug is written on the container if only on the grounds that they will then know what poison they or their children may take.—Yours faithfully,

The Royal Infirmary, W. P. SWEETMAN
Huddersfield

Airline Results

SIR—Far be it from me to discourage other students of airline economics from following your invitation to speculate on the common attributes of the diverse airlines which you tell us were shining exceptions in last year's gloomy aviation picture. But I may perhaps be allowed to sound a warning on some of the pitfalls in this speculation; particularly the two into which your article of August 11th appears to have fallen.

One of the five airlines you specifically mention as profitable does not itself claim the profit you credit to it; the airline's report describes this as a "net surplus". And since this net surplus, plus a small

amount of loan interest, represents a return of less than 2½ per cent on its capital, a student of airline economics might reasonably conclude that the airline in question would have been far from profitable if, like the British air corporations, it were obliged to pay interest at about 5 per cent on all its capital. Another of the five airlines in your list appears to me to have achieved its small profit by the time-honoured accounting device of providing less for depreciation than it would normally and prudently have done.

I do not wish to suggest that the main characteristic which your estimable group of airlines have in common is flexibility in their methods of presenting their accounts. But I do think it desirable that students of airline economics should examine airline accounts with greater care than you appear to have done.—Yours faithfully,

London, NW11 STEPHEN WHEATCROFT

Seaborne Seminars

SIR—I would like to draw your attention to one unfortunate error in the excellent article on educational cruises in your issue of August 11th. I say unfortunate, as, to date, no profits have accrued to the company as a result of embarking on this venture.—Yours faithfully,

K. M. CAMPBELL
Chairman, British India Steam
London, EC3 Navigation Company

HOME REPORT

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

Whose Counterdrift?

COUNTERDRIFT is a word that planners are bandying about: an easy bit of shorthand for reversing the population flow from the north-west to the south-east. Strictly speaking, it is not a plan but a concept, and in the mind of Mr D. Rigby Childs, who launched it in the new year issue of the *Architects' Journal*, it is by far the most radical of current ideas for undoing the congestion around London and the west Midlands. It was meant to be controversial, to get people talking, and it has brought its author a steady flow of publicity in planning circles, including an address to the Town Planning Institute in June and now a lengthy reprinting in the columns of the *Local Government Chronicle*.

Briefly, the Rigby Childs idea is to set up a rival to the existing industrial and communications axis London-Birmingham-Liverpool (the basis of what planners call the "coffin"). The new axis would be 700 miles long, "extending from the south-west, past east London and then up to the north of Scotland." It would be the "foundation for a new urban form comprising a series of linked urban and city groups." On the southern leg it would have one new city group (2-3 million people) based on Avonmouth, Bristol, Cardiff and Newport, a regional link-up that is already stirring (see *The Economist*, April 21st); there would also be three urban groups, each of 1½-2 million people, called Moor (Plymouth-Exeter), Wight (Southampton-Portsmouth) and Estuary (Colchester-Ipswich). The northern leg would have three

city groups: Humber (Hull-Grimsby), Solway (Carlisle-Dumfries) and Tay (Dundee-Aberdeen). Solway, in particular, would have to start virtually from scratch. (See map on page 770.)

One major object of the Counterdrift idea is to fit in this future development along "Euroway" routes linking this country with Europe by way of a Channel tunnel or bridge. So far, the planners' reaction to the development of closer physical ties with the common market, reinforcing the growth triangle Ruhr-Birmingham-Paris, has been sluggish and conflicting. Some accept the inevitability of a further population shift towards the south coast and the East Anglian ports; Mr Rigby Childs's crystal ball gazing has thus been criticised for failing to site one of the prospective urban groups in the Ashford-Dover area of Kent. Others, already committed to some form of Counterdrift, argue that joining Europe on these terms will merely lead to even worse congestion (and resulting inefficiency, rising land values and decline of suburban environment) throughout the south-east. In the end, they say, this would check the drift anyway as people got fed up with subtopia: so why allow the drift to happen at all?

No one has yet dared publicly to confront the several lobbies (agricultural, green belt and commuting-village snobbery) that stand in the way of fitting people into a planned industrial development spreading over the green spaces of the south-east in a cohesive network of new and expanded towns, linked by motor-

ways and rapid rail communication routes that do not all (as now) run into central London. This kind of plan will probably come sometime. It is partly to nip it in the bud that Counterdrift has been launched.

This kind of "imaginative jump," as its author calls it, is praised by some planners and thought an unmitigated pest by others, partly because it leaps above the hard realities of their own local schemes for development and rehabilitation. Most of the country's serious planning strategy has been talked about on a regional basis (if even that) up to now. Thus, the Town and Country Planning Association, the great and vindicated champion of the new towns, has been concentrating recently on more overspill from London and the south-east Lancashire and Merseyside conurbations within a fairly limited geographical range. To the author of Counterdrift the TCPA's proposals to double town populations in East Anglia in the next 20 years smack of "even more subtopia," with the long-term danger of forming "a contemporary West Riding." Norfolk county council will be advised by its planning committee next month to accept up to 200,000 overspill population in the next 20 years. The Midlands New Towns Society, one of the most energetic of local groups, has envisaged expansion into the foothills of mid-Wales, hardly a contribution to a new axis, although even its modest proposals have not found much favour with Birmingham firms.

OTHER planners are more immediately concerned with the industrial and social rescue of their own decaying areas. These are led by the local development corporations (particularly in Scotland, Wales and the north-east) although their horizons are sometimes cramped by local pressure to grab industry and push it into unemployment blackspots as they crop up. One of the liveliest and most respected of individual planners is Professor Myles Wright of Liverpool University, whose department was responsible for the bulky special issue of the *Town Planning Review* (October, 1961-January, 1962) devoted to Land Use in an Urban Environment. Professor Wright believes in concentrating on making a success of the big northern city-regions, specifically within 15 miles of their present centres, and leaving more outlying areas of poor economic outlook with much more limited aid or none at all. Long-distance overspill, he maintains, will not work in the north. He puts his money on a "planned polynuclear relationship" for the city-region (centre and satellites) depending on an efficient local communications network in keeping with the motor age. His



paper at the Town and Country Planning summer school at Nottingham this week called for permanent urban regional development commissions for each northern conurbation.

Professor Wright's stamping ground, at the northern end of the "coffin," is itself providing increasing evidence that even the existing industrial axis is no guarantee of prosperity. The Lancashire and Merseyside Industrial Development Association has reported that between 1951 and 1961 124,000 people left the north-west and that in the past year between 25,000 and 30,000 people lost their jobs as a result of mill and other factory closures. Figures published last week show the north-west to have the largest number of unemployed school-leavers (9,343) in the country. There are now 350 industrial buildings vacant in Lancashire and Merseyside—150 of them former cotton mills.

Government planners, subjected to strong political pressures to encourage new industry to move into existing plant of all kinds (particularly when the buildings formerly housed Government concerns like munitions factories) have begun to realise only slowly that this is a losing game. In central Scotland there has now been a breakaway from the old system in the attempt to start a new, planned region of growth between Glasgow and Edinburgh. An increasing number of local planners maintain that aid should henceforth be concentrated on these areas of prospective growth in the north and west, and that the old city and industrial town environment repels incoming firms despite the preferences that these areas of high unemployment get under the Local Employment Act. A little assistance to stimulate already favourable localities would do more to secure regional regeneration and stop the southern drift than a lot of effort and money spent as it is now.

The Government's own professional advisers know the extent of the problem as well as anyone, even if they are least able to make any dramatic suggestions for relieving it. They are, however, taking almost a delight in building up a mass of frightening evidence for their new minister, Sir Keith Joseph. In his paper to the Nottingham summer school this week Mr J. R. James, chief planner at the Ministry of Housing and Local Government, emphasised not merely the north-south drift but the prospect that, by immigration and natural increase, the population of England and Wales is likely to rise by some 6 million in the next 20 years. "the equivalent of another six Birminghams or, preferably, 60 large new towns." He admitted that the assumptions on which the first post-war development plans were based no longer held good: to deal with a major overspill operation like that in south-east Lancashire, he declared, would need a harnessing of technical, administrative and financial resources that must "stretch the imagination to new planes of thought." This is the measure of the problem confronting Sir Keith and the conflicting heirs of Abercrombie and Geddes.

school tie will be no help for British boys going to St Donat's. Pupils will come from grammar and other day schools on the recommendation of headmasters and local education authorities. If successful, the college is intended to become the prototype for others abroad.

Though a distinctive experiment, Atlantic College nonetheless does show two facets that are becoming part of the mainstream of education in this country. The first is the increasing emphasis on corporate activity outside the classroom, but not necessarily on the playing field. Both St Donat's and Gordonstoun offer training in mountain and sea rescue, fire fighting, animal rescue and wild life preservation. But expensive schools

such as these are no longer alone in providing such opportunities.

Thus, Outward Bound Schools, founded 21 years ago, train over 4,000 boys and 500 girls annually in seamanship, mountaineering and rescue work. Similar, but broader in scope, is the Duke of Edinburgh's Award Scheme operated by 300 organisations of all kinds, ranging from public schools to nationalised industries. Many other bodies also do valuable work. For example the Brathay Hall Centre in the Lake District takes boys from industry and school on courses and expeditions at home and abroad. The British Schools Exploration Society sponsors ambitious trips to arctic and mountain regions. The Boy Scout Movement, anxious to maintain its momentum, encourages its senior scouts to take part in such activities. At the extreme, the widest range of pursuits is offered by the Central Council for Physical Recreation which co-ordinates activities ranging from ballroom dancing to shark and fly-fishing.

Outdoor courses help sixth-formers to mature before they enter university; many dons feel that with the abolition of national service this is very necessary. An even greater benefit accrues to boys from industry who never make the VIth form. It is significant that this lively sector of education has grown on the initiative of private groups, who are doing a task that the state would find difficult—although some bodies receive direct support from the Government (for example half the cost of Outward Bound's new Aberdovey school is being provided by the Exchequer).

The second distinctive feature of the Atlantic College is that it is solely a "sixth form college," a concept that is grist

Dundee Jam

DUNDEE is the latest Scottish local authority (after Glasgow and Dunbartonshire) against which the Secretary of State has had to deploy his cumbrous legal siege train in order to secure an increase in council house rents. Dundee's 23,000 municipal houses (36 per cent of all dwellings in the town) are now let at an average of 7s. 7d. a week, the lowest council rents in Scotland, except for six houses in Orkney. The Labour-controlled council paid no attention to three warnings from the Scottish Office that action would be taken; it last raised its rents in 1958. Its housing convener, Councillor James Stewart, has now declared his party's intention "to stand firmly by our principles" and "to establish quickly and easily where the fault lies in placing an intolerable financial burden on the housing accounts of Scottish local authorities."

This means that Dundee intends to follow the familiar Dunbartonshire argument, claiming first that housing is a social service for which nominal or nil rents should be charged (an admission that exist-

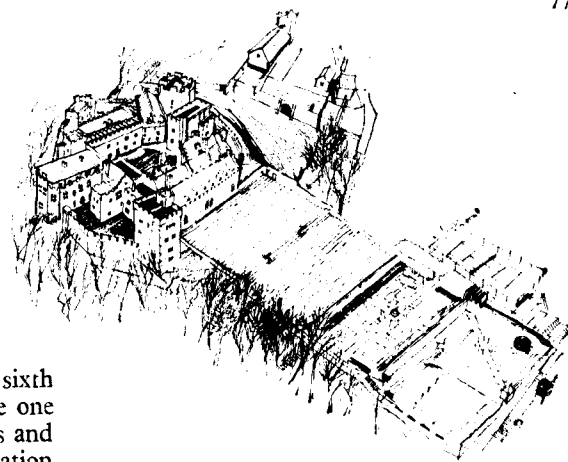
ing rents are nominal) and, second, that the Government's interest rates are too high (although these can hardly be a burden if the town considers itself affluent enough otherwise to charge its householders less for their homes than they pay for renting the telly). The inquiry will duly find against Dundee, add some strictures on the conduct of the town's local government (only 28 per cent of its housing costs are covered by rents; the ratepayers have been providing 38 per cent and Exchequer subsidy the rest), and then one of two things will happen. Either the Secretary of State gives Dundee a bargaining period in which the council slowly raises its bid, or he uses his powers under the new Housing (Scotland) Act to impose a rents scheme he thinks fit. Mr Noble should apply the act promptly.

A few education authorities see the sixth form college as a way to avoid, on the one hand, the distaste felt by many parents and some teachers for the 11-plus examination and, on the other, setting up controversial and expensive comprehensive schools. "Non-selective junior secondary schools" are set up for children at the age of 11. These schools are less cumbersome than their name, their syllabuses being less practical than the secondary moderns', and less academic than the grammar schools'. Later the children transfer to a sixth form college which prepares them for "A" and "S" level examinations and university entrance. Thus grammar school misfits are avoided and late developers get better opportunities. Leicestershire keeps all grades of children in the same schools from 11 to 14 and then transfers all who wish to remain at school for at least another two years to an "upper-school," usually a converted grammar school.

Croydon is now hoping to follow a similar plan. The 11-plus is to be abolished and those children gaining the required number of "O" level passes after 5 years in non-selective schools will go on to Addington Sixth Form College, a converted

ing rents are nominal) and, second, that the Government's interest rates are too high (although these can hardly be a burden if the town considers itself affluent enough otherwise to charge its householders less for their homes than they pay for renting the telly). The inquiry will duly find against Dundee, add some strictures on the conduct of the town's local government (only 28 per cent of its housing costs are covered by rents; the ratepayers have been providing 38 per cent and Exchequer subsidy the rest), and then one of two things will happen. Either the Secretary of State gives Dundee a bargaining period in which the council slowly raises its bid, or he uses his powers under the new Housing (Scotland) Act to impose a rents scheme he thinks fit. Mr Noble should apply the act promptly.

The average rent of Scottish council houses rose by 1s. 11d. a week in the half-year ended in May—to the sum of 11s. 10d. a week. Russian visitors, Glasgow town council was told last week, think it's all quite mad.



Experimental St Donat's

secondary school. This scheme has been adopted by the education committee, but it has been heavily criticised in some quarters. It is said that staff may not find teaching attractive in the junior secondary schools with no sixth form work available, a factor of importance when good graduate staff are scarce. But this would appear the ideal opening for the growing numbers of graduates with general degrees, who would have the stimulus of teaching some bright children.

A second criticism has been that the scheme destroys what is good (the grammar schools) for the sake of improving what is not so good (the secondary moderns). But the gap between the two has narrowed (GCE "O" level classes are common in secondary moderns nowadays) and this scheme may do much to remove ill-feeling about injustice at 11-plus, about the inequalities of status of different types of school, and would create a sixth form college of high repute to which all could aspire.

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THE WORLD OVERSEAS

Ben Bella on the Horse's Tail

AFTER nearly a month in the saddle Mr ben Bella and his political bureau have discovered no trick for controlling the restive Algerian horse. Their trial run has not gone well. Far from following a straight true course, the riders have gone round in circles and Mr ben Bella has ended up precisely where he was before. He has failed to exploit the truce to conciliate his opponents and provoked a new upsurge of enmity from forces previously neutral. The inscrutable soldiers of the Algiers region (Willaya 4), those units of the interior who opened the gates of Algiers to him to let him get on with the job, have turned on him in a fury. In the violent clash with the military who remain the real power in the capital, he got hoist with his own petard.

The climax came on August 23rd, with rival demonstrations in Algiers. The soldiers, seizing the radio, accused him of overstepping himself in trying to oust them from power before an elected parliament could approve his plans for reconverting the army; they gleefully dubbed the political bureau as right wing and neo-colonialist. That these are the very words with which Mr ben Bella and the armed forces of the exterior, who came in from Tunisia and Morocco, once beat down Mr ben Khedda may appear as a kind of rough justice. But this is a sort of roughness that does not help. When uttering their deadly insults, the officers of Willaya 4 were carping at the lists of candidates that the political bureau had approved for election on September 2nd—and carping for carping's sake.

These lists, thanks to regional influence, were unexpectedly catholic, including such opposites as Mr Abderrahmane Farès of the provisional executive and Colonel Slimane of the general staff (whom Mr ben Khedda dismissed). Mr ben Khedda's government, the provisional executive and the political bureau were all ment, the provisional executive and the political bureau were all equally well represented. There were sixteen Europeans. The army got seventy candidates in a total of one hundred and ninety-six. Willaya 4 alone boasted sixty-two (both military and civilian). These were not lists to be sneezed at. The bureau in fact had not had all its own way with them and had been unable to impress on them the entirely rubber-stamp character with which it once planned to invest Algeria's first parliament.

Thus the officers of Willaya 4 ill served both themselves and Algeria in decrying the one hopeful product of Mr ben Bella's regime. By doing so they merely played back into Mr ben Bella's hands. On Saturday he declared that because of their interference, his bureau was powerless to discharge its responsibilities. It would therefore postpone the elections, withdraw its approval of would-be candidates, but continue to cling to the power it had not got. So Algeria was thwarted of its prospects of obtaining an acceptable government through the medium of elections, while ben Bella was reduced to clingmanship and to mustering up his supporters—four Willayas out of six, together with Colonel Boumedienne—at a rally on Tuesday at Sétif. He is therefore back where he was with two-thirds of the country behind him, but a new and tense situation in the capital. Shooting took place there on Wednesday between his armed bands and units of the Algiers army; and Mr ben Khedda spoke of a danger of civil war just as he did in July when Boumedienne's forces from Tunisia occupied Constantine. On Thursday troops from Oran loyal to Mr ben Bella were moving into greater Algiers.

It is a sad business, this paralysis of leadership in Algeria. But

it is still too soon to cry "Congo." Resistance to the idea of central government is neither seriously secessionary, nor an attempt by one region or another to hog some local source of wealth to the impoverishment of the rest. The economy may be wrecked, but everyone is wrecked together. There is no quarrel over policy. Everybody is agreed about what should be done.

Roughly, the lines of agreement are that the government be centralised; that soldiers be succeeded by civilians in administering the various regions (but soldiers may doff their uniforms to become civilian administrators); that a national army be formed of those who want an army career; that the Evian accords in a broad sense should underpin the economy; that useful Europeans should be wooed back to function in commerce and industry, the professions and civil service; and that everyone should then pull together to make a good socialist state. This is Mr ben Bella's policy, and Mr ben Khedda's and Mr Belkacem Krim's and that of most of the army including Willaya 4. Real divisions between right and left and the various approaches to socialism and international relations may appear at a later stage. They are bound to do so. But the present conflict still revolves round who is to be king of the castle and the bandying of political insults is still kindergarten stuff of the "dirty rascal" kind.

Where the political bureau has failed is not in its words and deeds, but because it is a little clique that jumped on top of the castle upon the lofty assumption that it enjoys a divine right of kings. Mr ben Bella traces this right to the fact that four of the bureau, including himself, the leader, are survivors of the "club of nine" who started the revolution. Only one of these surviving original leaders—Mr Belkacem Krim—was excluded from the bureau, but another, Mr Ait Ahmed, refused to participate in it, and Mr Boudiaf, yet another, has now resigned. The divine right is therefore dissipated. It is, anyhow, all old hat; and only if Mr ben Bella can discard his nostalgia and adapt himself to present-day Algerian conditions will he properly fill out as a leader.

So far he has failed to do so. In those parts of the country, east and west, where he enjoys full support, he has managed well. But the centre—the Algérois and Kabylia—he has not controlled, because his clique is felt to be unrepresentative and commands no confidence. A country, tossing in transition, needs either a single leader, as King Mohammed V was in Morocco and Mr Bourguiba was in Tunisia, or else—the Algerian ideal—a collective leadership that is genuinely a coalition. This is what the political bureau is not. But elections did appear a real hope of obtaining a balanced government. More is the pity that the soldiers of central Algeria, in a fit of understandable anxiety about the political bureau's intentions towards them, should have overplayed their challenge.



Climax in Algiers

FRANCE'S FARMING EXPLOSION

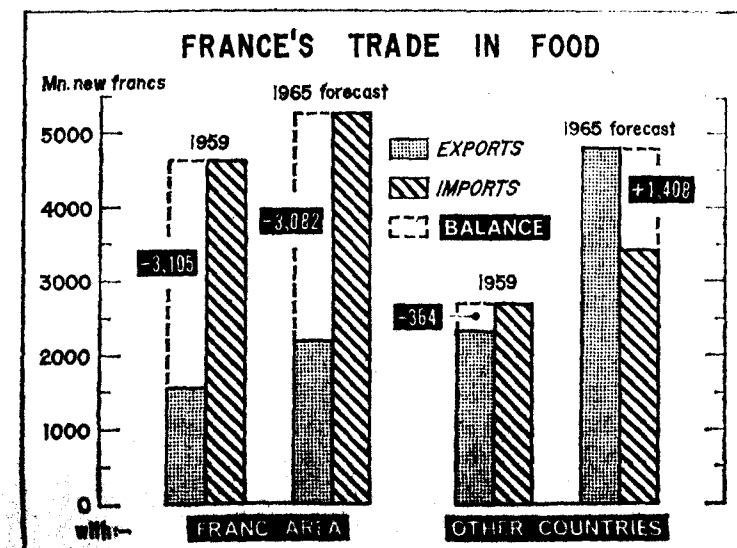
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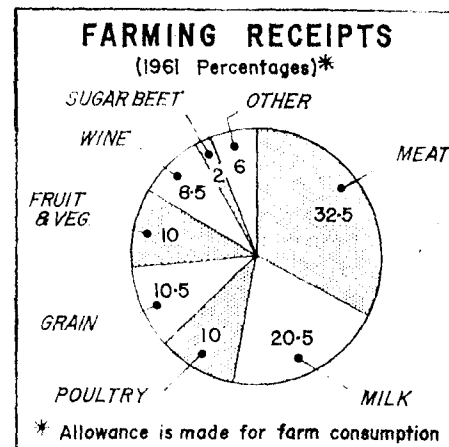
THE common market negotiations brought home that French farming is a factor in European politics, not to be ignored without peril. Tillage and pasturage are no longer *les deux mamelles de la France*, as Sully called them. Still, with more than 21 million hectares of arable land and more than 13 million hectares of pasture (1 hectare = 2.471 acres), France accounts for nearly half of the agricultural area of the whole common market. Its share of the agricultural manpower, by contrast, is less than a third; France, with 3.2 million men employed in farming (statistics of female labour are too inaccurate to allow comparisons), takes second place to Italy. Agricultural employment in France has declined by some 35 per cent since 1921. But in the last ten or fifteen years, a dynamic expansion of farm output has gone on unhindered by the continuing drift from country to town. How to absorb this output has become the common market's problem.

French agriculture, long somnolent behind protective walls designed to preserve the social fabric of the country, was awakened in the postwar period by the massive introduction of modern equipment. The tractor park rose from 35,000 in 1938 and 68,000 in 1948 to more than 800,000 now. For combine harvesters the figures are respectively 260; 1,160; more than 60,000. Fertilizer consumption has roughly trebled since 1938. Naturally, the impact of this transformation has not been the same for the big modern farms and for the bulk of small producers just emerging from subsistence farming. The general trend, however, is upward. Between 1949 and 1961 farm output rose by 2.5 per cent a year on average. If the pause from 1954 to 1958 is excepted, the average rate of increase was 4.5 per cent. The fourth plan, when it assumes that agricultural production in 1965 will be 30 per cent higher than in 1959, anticipates the same rate of growth.

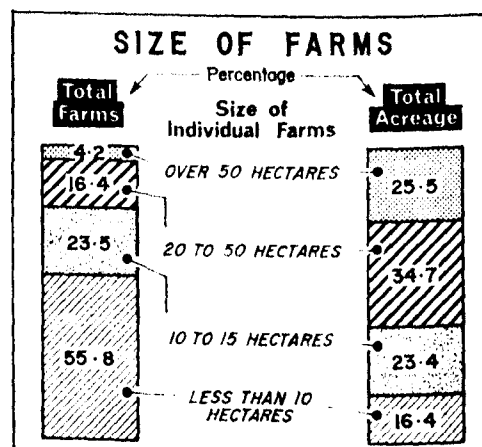
Production forecasts for 1965 are expectations rather than



THE WORLD OVERSEAS



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desired objectives. Until the common agricultural policy is in full operation, the French government can influence production by fixing guaranteed prices. Under the French arrangements, the guaranteed price does not necessarily apply to the entire domestic supply of a given commodity; its application may be restricted to a certain volume, called the *quantum*. Beyond the quantum, sellers have to be content with the prevailing (lower) market price. Thus, out of the wheat production expected for 1965, some 8½ million tons should enter the market, but the guaranteed quantum is intended to be only 6½ million tons. In other words, the government would like to check the expansion of wheat. For milk, too, the desired output is ten per cent lower than the expected one. For meat and eggs, official hopes and expectations coincide.

The government can and does try to influence the pattern of production; but the probability that farm output as a whole will continue to grow, and that exportable surpluses will grow even faster, are facts which it has to face. If food production in 1965 is to be 30 per cent higher than in 1959, home consumption—after account is taken of a population increase of 4.8 per cent—is expected to be 21 per cent higher. Exports of foodstuffs should rise by about two-thirds over the same period. The hope is that in 1965 France will export about six million tons of grain (half of it wheat), 160,000 tons of dried or concentrated milk, 70,000 tons of cheese and 50,000 tons of butter. Some 250,000 tons of beef and 100,000 tons of pork should be shipped abroad in that year. Wine and spirits are scheduled to bring in 1,110 million new francs, but the biggest increase is to come in the export of fruit and vegetables which should reach, respectively, 330 and 148 million new francs. Efforts are to be made to improve storage and distribution and to develop processing industries.

French officials are confident of being able to sell more food to the franc area whatever happens to the French community. Yet it is outside that area, and chiefly within the common market, that the increase in French food exports is to be most striking. Predictions of the course of foreign trade have to be tentative.

	French imports from		French exports to	
	1960	1961	1960	1961
Germany	161	3.3	124	2.2
Italy	264	21.2	230	15.2
Netherlands	426	36.9	356	28.6
Belg.-Luxemb'g.	146	8.0	176	8.8
Total EEC	997	10.9	887	8.5
	1,484	14.7	1,079	13.6

* Percentage of imports or exports of all goods including industrial products from and to each country.

Much will depend on the size and shape of the European Community, on the character of the common agricultural policy in general, and on price policy in particular. France is, relatively, well poised for the next round of price negotiations in Brussels. Its farm prices for wheat and beef are well below the Community

average; for milk, eggs and sugar beet they are just below that arithmetical mean. And indeed, the balance of French trade in food with its common market partners is favourable.

French exports to the other five countries of the common market have been rising fairly fast but France's share in the food imports both of its partners and of other industrialised western states is still very small. Possessing half the Community's effective agricultural land, and having plenty of scope still for modernisation, the French hope to increase that share substantially. In their calculations, the British market figures sometimes as a tantalising prize, sometimes as a hazardous complication. One reason why the French negotiators have been awkward, and are likely to remain so where farming is concerned, is that the awakening of French agriculture has raised major social problems at home.

Struggle for Survival

MODERN farming methods, as they spread, change the social structure of the French countryside. For some 100,000 large-scale farmers, working on 50 hectares of land or more, employing the bulk of hired labour and accustomed to mechanisation, industrial methods of production and accounting were no novelty. For over a million small producers, working on less than ten hectares, on the other hand, the growing cost of the means of production has meant a change from semi-subsistence farming to the full blast of a modern market economy. Such a transition cannot take place without strains and victims. The recurrent peasant demonstrations, with farmers blocking the roads with their tractors, or otherwise plaguing authority, have to do with this social transformation.

The figures given in the chart "Size of Farms" were computed on the basis of the 1955 census. Since then, 100,000 people have been leaving the land every year and this migration has resulted in amalgamations. Among the one and a quarter million farms of less than ten hectares, there were 380,000 of less than two hectares. For the bulk of their occupiers farming was only a part-time activity. The other interesting feature is that even seven years ago, two-fifths of all French farms were being managed by people over 55 years of age. The inadequacy of old age pensions explains the ageing structure of the agricultural population. Many old farmers cling to the land even if they hardly earn their subsistence.

In spite of this peasant resistance, the number of small farms has certainly fallen since 1955. It is not yet clear whether it was more the big farms, or the medium ones, that seized this was more the big farms, or the medium ones, that seized this opportunity to increase their size. In any case, peasants squeezed off their land moved into town in preference to hiring out their labour in the country. In 1954 there were 612,000 full-time farm labourers and 413,000 seasonal ones. Wage-earners accounted for less than 30 per cent of agricultural manpower. The proportion has probably declined still further. The modernisation of farming has not involved a greater use of hired labour, but rather a heavier outlay on capital equipment. The use of machinery is no longer limited to big farms. Younger men, who have entered the profession since the war, have sought a chance of survival in mechanisation. Heavily in debt, they are worst hit when the receipts do not come up to expectation. It is no accident that young men on tractors have been the leaders of peasant demonstrations in recent years.

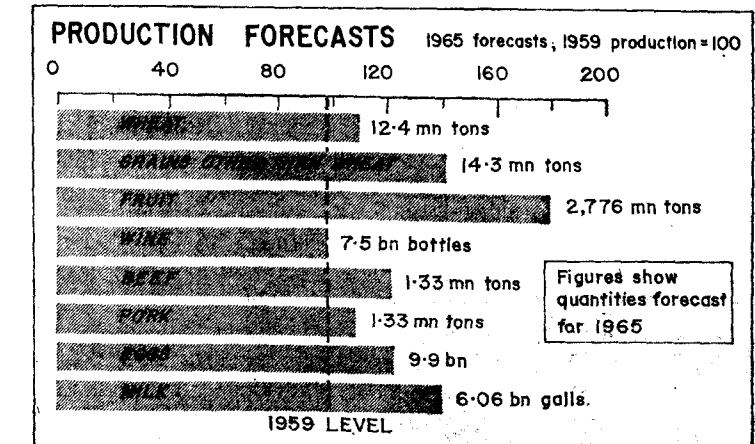
These changes have gradually found reflection in the policy of farmers' unions. In the past, these unions, dominated by big landowners, were merely asking for tariff walls and higher home prices. The latter slogan was a common denominator for the big wheat and sugar-beet growers of the Paris basin or the north, trying to consolidate their advantage (in the Ricardian term, to reinforce their differential rent) and for the mass of smallholders,

hoping to survive at the margin. The first sign of transition was the appearance of the new, and rather vague, slogan of "parity with the towns". But in the last couple of years or so, under the growing influence of Young Farmers' Circles, the unions have been making entirely new demands. They have been asking for the shortening of the distributive circuit and for tax privileges for co-operatives. They are demanding a reform of property laws to give security of tenure, and a prohibition of the purchase of land by non-farmers. They want the regrouping of small parcels of land to be speeded up, and demand that efficient small producers should be helped to acquire enough land for economic working. The elimination of the tiny farm seems to be taken for granted. The struggle for the survival of the medium farmer is now on.

These demands have put the government in a dilemma. On one hand, it does not want to interfere with the working of free enterprise and hinder the process of concentration. On the other, French rulers, particularly since Napoleon, view the farming community as the conservative backbone of the nation. Left to themselves the forces of the market tend to reduce entire regions of the centre and the south-west to what has been described as the "French desert". Besides, prosperous medium-sized farmers are less dangerous politically than a growing urban proletariat. If governments have hesitated which road to follow, the agricultural law of 1960 and even more the Pisani decrees, enacted last month, have been largely inspired, at least on paper, by the demands of the young farmers mentioned above. In particular, special official bodies are to be given priority (or the right of pre-emption) in the purchase of land coming up for sale.

It remains to be seen how the laws will be applied. The criteria for both the priority and the subsequent distribution are still to be determined. In any case, other factors, too, are bound to affect land redistribution. The price of agricultural land of a given quality in France is only a third of what it is in Germany, and it is likely to attract purchasers from the other common market countries when the common agricultural policy will be in full operation. The opening of frontiers may also increase the inflow of foreign (particularly Italian) agricultural labour.

On the whole, the common market is bound to accelerate the process of concentration. A table of French farming structure in, say, 1970 is certain to be strikingly different from the one given here. All that is in question is whether large estates or medium farms will have gained most in the meantime. With fair confidence it can be predicted that French agriculture is doomed to larger units of production, to higher output and to growing surpluses. The transition will continue to be painful and politically troublesome. In the circumstances, it is not surprising that French negotiators are bargaining hard for extra income from exports, with which they may hope to soften the impact of their country's agricultural revolution.



New Pirates on the China Coast

FROM OUR CORRESPONDENT LATELY IN MACAO

MACAO'S Portuguese authorities have proudly announced that their colonial garrison of giant blackamoor troops from Mozambique will be replaced by white troops. The announcement coincided with accusations from Peking that the little colony was harbouring Chinese Nationalist saboteurs, who were blamed for mysterious and apparently pointless explosions across the border in China. But in fact the changing of the guard was dictated solely by a Lisbon decision to pay all loyal troops abroad on the same scale, irrespective of colour.

There have been other strange Macao involvements with the international scene during an eventful month, but as usual the involvements prove on examination to be indirect and subject to external influences. Portugal, for example, finally exacted tribute from Macao's Indian nationals, who, after being detained as a reprisal for Mr Nehru's "exhausted patience" in far-off Goa last year, were deported amid tearful farewells from old Portuguese, Chinese and Eurasian friends and neighbours. The 14 men, 10 women and 39 children, still slightly bewildered, all had to go, but civilised Macao officialdom, with a sympathetic eye to the telescope, ensured that they would not lose their humble savings. There is indeed considerable selfish indignation in high places in Macao at the deportation on Lisbon's orders of these Indians. Four old men among them controlled the thriving goats'-milk industry, which, in the absence of reliable dairies, was regarded as vital to the health of the colony. There is little confidence that the Chinese who bought the 300 pampered goats will care for them as tenderly as the Indians did. Most of the deportees will try to make new lives in Hongkong.

Other notable events have confirmed the theory that Peking, despite its forced grumbles about saboteurs, exercises the strongest influence in Macao. To illustrate, the contract for a monopoly of the import of gold into Macao—which means, of course, a monopoly of gold-smuggling out of Macao—was surprisingly renewed for another two years with the old syndicate headed by the redoubtable millionaire member of the Communist party, Comrade Ho Yin. Comrade Ho combines chairmanship of the Macao Chamber of Commerce with membership of the Peking National People's Congress. He pays regular visits to Canton in his shining American limousine (with the status number of 555), bearing to his party superiors transistor radios, cameras and other capitalist tokens of affection and good will. His syndicate's success in renewing the contract—on terms which were, as usual, undisclosed by the Portuguese government—surprised local observers and depressed the new gambling syndicate from Hongkong, headed by Mr Stanley Ho (no relation of Comrade Ho Yin) and Mr Teddy Yip. The Ho-Yip syndicate had had high hopes of winning at least a share of the long-standing Ho Yin gold monopoly because of its pledges of a generous allocation from the profits of its newly won gambling casinos to Macao investment and industry. "Stanley and Teddy had better join the party" is the cynical judgment in Macao.

Peking's influence in Macao affairs was made manifest even more blatantly by the constitution of the official mission which left last week to promote trade between Macao and Portuguese Angola and Mozambique. The Portuguese chief of Macao's economic department went along for the ride, but the other four members were all Chinese nominees of Comrade Ho Yin.

On the cultural front, Macao's debt to Australia was deepened by final agreement that 150 greyhounds would be imported from Sydney kennels to the new dog-racing stadium, to help Macao in its effort to attract tourists. Already 10 Australian-made poker-machines, known to the Chinese as "hungry tigers," are operating profitably in the colony's new casinos. One of these machines last week paid off a 1,500-to-one jackpot to a normally impassive

Chinese woman, who immediately had hysterics: a more resounding event, supporters of the gambling industry insist, than any explosions across the border.

Even the operations of these innocent Australian machines by the Ho-Yip gambling syndicate have fallen under the baleful shadow of Comrade Ho Yin. Angered by the intrusion and ambitions of the upstart Hongkong syndicate, he has scheduled the departure of his late-night ferry steamers to Hongkong for 1.30 instead of 3.30 a.m. Mr Ho and Mr Yip are accordingly planning to augment the already extravagant ferry service between Hongkong and Macao with their own vessels and also, it is whispered, to hand out free tickets to foil the Ho Yin syndicate. "It was simpler in the old days," as Mr Stanley Ho observed, "when the pirates on the South China coast had never heard of communism."

Spain's Buoyant Summer

FROM OUR SPECIAL CORRESPONDENT

DESPITE the deflation of "European" hopes caused by their government's reprisals against Spanish participants in the Munich congress last June, most articulate Spaniards are in a buoyant mood. Primarily, no doubt, because of the bracing tang of prosperity that is in the air. Coastal towns report up to 25 per cent more foreign tourists than last year. The Spaniards themselves, foreign tourism and the spring strike wave having fattened many of their pay-packets, are streaming to beach and mountain in greater numbers than ever before. And at times horrifying mushroom growth of hotels, motels and holiday "chalets" is, of course, breaking out on every promising site. But factories and dams are being built, too, and new blocks of flats are reshaping many a skyline.

But the recent government changes and the long-awaited handing-over of the World Bank report have also contributed to the buoyant atmosphere. The new minister of labour, Sr Romero Gorria, has made a favourable impression by dropping the more puerile clichés of *sindicato* (official labour organisation) cant and stressing the "urgent need" to raise the living standards of Spanish workers. During August, to everyone's surprise—and not least to the surprise of the *sindicatos* themselves—he intervened, in the workers' favour, in a wage dispute in the pyrites mines of the Rio Tinto. This method of heading off labour trouble is an innovation; it is expected to be repeated. The new minister of information, Sr Fraga Iribarne, has committed himself to a revision of the press code, and greater freedom of expression, before the end of this year. It is no longer fashionable in official circles to sneer at democracy. What to do instead presents something of a problem. Sr Fraga Iribarne declares that Spain is evolving the kind of democracy best suited to its national character. Last week he allowed his censors (not yet unemployed) to pass for domestic publication a statement by the Spanish ambassador in Washington of the kind that used to be made strictly for foreign consumption; it spoke of Spain as "advancing step by step toward a regime of liberty, economic progress and social justice."

The government's ready acceptance of the World Bank report (discussed in *The Economist* last week, page 720) has strengthened confidence in the country's economic future. Its essential points were approved by the Spanish ministers who handle economic matters before it was handed over, and a development plan incorporating its recommendations is already being drawn up. Satisfaction greeted last week's announcement that the United States government is to subsidise the expansion of scientific research and technical education in Spain.

Even the news of the suspension of the Brussels negotiations between Britain and the European Economic Community—officially deplored because it will delay consideration of Spain's own application for associate membership—failed to cause any real dismay.

Officials covertly, and many liberal Europeans openly, are pleased that Spain has been given a breathing space in which to improve its economic and political standing. The pro-Europeans are still angry at the government's silly attempt to write off the Munich congress in June as a communist-inspired gathering, and at its spiteful treatment of the Spanish participants. They produce photostats of the letter dated June 2nd, witnessed by a notary, in which Sr Gil Robles informed the government that he meant to attend the congress and gave notice of the policy he intended to advocate.

But these same pro-European critics claim to know that at least half the members of General Franco's cabinet would have preferred a more statesmanlike response to the Munich congress: these were, generally, the ministers who had successfully advocated a conciliatory approach to the Asturian and Basque strikers. General Franco appears to have decided in favour of the backwoodsmen on the Munich issue for no better reason than to maintain, as is his custom, the internal balance of forces within his government. For all that, the regime's backwoods element was weakened in the July cabinet changes, and many Europeans expect the measures against Sr Gil Robles, Sr Prados Arrarte and their friends to be rescinded after a fairly short face-saving interval.

In this buoyant atmosphere, there has not been much sympathy with the Asturian miners who suddenly went on strike in mid-August, in one pit after another, for "la semana inglesa" (the five-and-a-half-day week). The Communists, while broadcasting, via Prague, praise of the miners' pluck, were embarrassed. They appear now to be opposed to unlimited strikes in single industries which may expose, isolate and exhaust the strikers; their preference is for co-ordinated stoppages of one or two days. Non-communist industrial workers grumbled that the Asturians had jumped the gun; having won substantial increases in the spring, they ought now to be content to support other groups of workers in the strike movements that are expected to develop in less favoured areas during the coming winter. Not that a fresh wave of strikes is inevitable, one was hastily assured: the new minister of labour was ready to repeat his Rio Tinto intervention where collective bargaining broke down. Even on the generally sombre labour front, a more hopeful outlook is discernible.

Post Mortem on New Guinea

FROM A CORRESPONDENT IN AUSTRALIA

AUSTRALIANS feel that their country has cut a poor figure in the affair of West New Guinea. Perhaps it would have cut a poor figure whatever it had done. It could hardly, at this late stage, have gone to war as the sole ally of the Dutch, without British or American support, in order to maintain a colonial power that is in haste to get out. Still, the fact remains that Australian policy over the last dozen years has failed to prevent the worst possible result from Australia's point of view, namely the rewarding of Indonesian aggression.

If the outcome was to be the enforced cession of West New Guinea, though with a masquerade of negotiation, and if Australia was to acquiesce, then it would have been better to take a different attitude from the start to the Indonesian claim, and at least press the Dutch to negotiate, and so avoid raising false hopes in The Hague. In that case, too, Australia would have done better not to use its influence to prevent the matter being dealt with in the United Nations; the Dutch capitulation might then have been a less painful one than the present agreement. If it had been made clear to the Dutch years ago that they would get no military support, they would have been spared the wasted expense of their programme of rapid development and the humiliation of being to abandon it after two years. The Papuans whom they were educating to take over the government would not now be faced

with the disappointment of their hopes (for what faith can they have in an Indonesian undertaking to allow them self-determination by the end of 1969?) or with the fear of being persecuted by their new masters for having collaborated with the Dutch. The ostentatious build-up of Indonesian force would not have taken place; and Australia would have avoided a sad display of weakness.

Under a Labour government Australia had played some part in promoting the handing-over of the Netherlands East Indies to the Indonesians. But the Menzies government that followed, not being anxious to share a frontier in New Guinea with an unstable power, which might go communist, was very content that West New Guinea had been reserved for further negotiation and was still in Dutch hands. It did not, however, wish to say so, since clearly the Indonesians would be in the area forever, the Dutch clearly would not—though no one at that stage would have dreamed that they could be forced out so quickly. In vain, therefore, did the Dutch press Australia for a promise of military support in the event of attack. The most they could get (in 1957) was an agreement on administrative co-operation which proclaimed it as the aim of both powers eventually to bring their Papuan populations to self-government. In a communiqué after the visit of the Indonesian foreign minister to Australia in 1959, Australia stated its recognition of Dutch sovereignty as a legal fact but added (without any proviso here about Papuan self-government) that if the Netherlands and Indonesia agreed without duress upon a change of sovereignty, Australia would recognise that agreement.

Meanwhile Australian policy was to seek repeated assurances from Indonesia that force would not be used. In the intervals of giving these assurances Indonesian leaders would make warlike speeches, whereupon the Australian ambassador to Indonesia would protest that his government would view with grave concern, or could not regard with indifference. No wonder the Indonesians were not impressed. They were rapidly building up their armaments, while Australia's own meagre defence expenditure was allowed in real terms to slide down. When eventually Indonesia did in a small way use force, Australia became loud in favour of negotiation.

In the upshot, Australia now has to its north a country which has ten times its population and considerable military strength. Indonesia has been taught that force can be made to pay without actually using it. Sir Garfield Barwick has obtained Indonesia's assurance that it has no designs on the Australian half of New Guinea, but that might not be worth very much. There is more comfort in the thought that any attack on Australian territory should qualify for American assistance under the Anzus pact—but the United States might be otherwise engaged; or a new Mr Bunker might appear with a new compromise plan.

Meanwhile the discomforts of sitting on the fence are not yet ended. Eight thousand Papuans from West New Guinea have applied for entry into Australian New Guinea. To accept them would no doubt offend Indonesia and in any case would add greatly to the administrative problems and costs of the Australian territories. To refuse them is to expose them to the danger of Indonesian revenge, and perhaps to increase cynicism and distrust among Australia's Papuans about the promises of advancement and self-government on which they also are being brought up. The Minister for External Affairs has said that applications for entry will be dealt with on their merits and it remains to be seen what this means.

Given another two years or so, the Papuan elite of West New Guinea might have commanded enough respect as politically conscious people to plead their own case before the world. They were overtaken by the speed of events, as Australian policy was also. The lesson is being drawn that a nation cannot hope to persuade its allies to safeguard its interests without taking any active steps itself, not as a guardian of the peace without visible strength and an apparent readiness to use it.

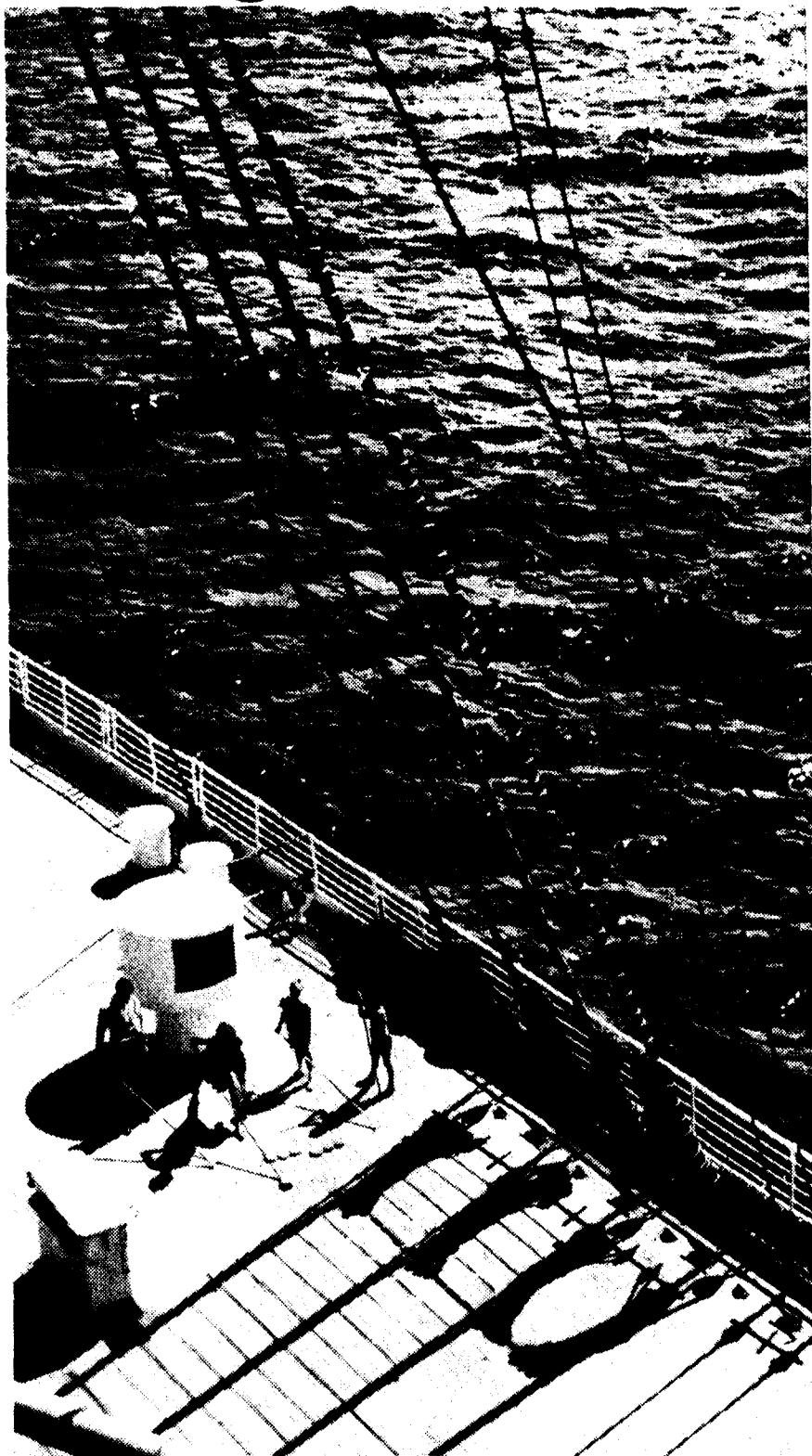
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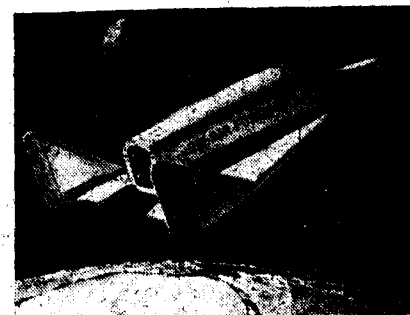


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AMERICAN SURVEY

New Stage in Space

WASHINGTON, DC



A SORT of cyclical rhythm has prevailed in the American space programme, whether the President has been General Eisenhower or Mr Kennedy, ever since the Soviet Union shocked the United States by launching the sputnik which opened the space age in late 1957. That first Soviet feat and the successive Russian accomplishments in space have all been followed by reassuring statements from American officials, politely minimising the extent of the Russian achievements and insisting that space exploration in the United States is proceeding on a satisfactory and orderly basis with no need for acceleration. On each occasion, however, not much time has passed before the American programme has indeed been speeded with additional spending and perhaps with some reorganisation of the general space effort. Then agitation in the United States for more activity in space has settled down again until the next Soviet surprise.

Following the most recent of these surprises, the twin orbiting of the two Soviet cosmonauts, the point has now been reached in this cycle where the Administration is planning to increase still more its now massive spending for space exploration after having intimated not many days ago that no such expansion was in prospect. The difference this time, however, is that the latest Russian success has provoked a basic change in policy: greater emphasis is being put on the military aspects of space. This has long been desired by the Air Force and the precision with which the Russians performed their double orbit gave the Air Force and its partisans in Congress a chance to propagate a nightmarish prospect of the Russians winning dominance in space and developing the ability to bring the United States to its knees by putting into orbit hydrogen bombs that could set the entire North American continent aflame. As President Kennedy pointed out in his press conference last week, it is difficult to see how supremacy in space can change the military balance of power as long as both sides in the cold war are able to annihilate each other with intercontinental ballistic missiles. Nevertheless, at the same press conference the President confirmed, as had already been rumoured, that there was to be a stepping-up of military spending in space.

The most likely immediate effect will be an increase of \$500 million in the Air Force's space budget, to a level of \$2 billion for the next fiscal year with greater spending likely in succeeding years; at the same time, the \$3.7 billion at present allowed for the National Aeronautics and Space Administration, operated by civilians, may climb as high as \$5.5 billion next year. This means that the Air Force has been given unwitting help by Major Nikolayev and Colonel Popovich in its five-year struggle for funds to build spacecraft with specific military applications rather than with the mainly scientific purpose of exploring the moon and the planets.

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.

For the past eighteen months, the Air Force has been fighting Mr McNamara, the Secretary of Defence, and his young civilian assistants for a greater role in spacedom. As part of his campaign to resist the insatiable desire for more money of the uniformed services generally, and the Air Force specifically, Mr McNamara has staved off the Air Force's plans for a bigger space programme, but the scare talk generated by the orbiting of the Russian twins is forcing him to relent and to back down on his original statement that the latest Russian feat had no military significance.

The long and more basic struggle, however, has been waged between the Air Force and NASA, an agency created by Congress after the launching of the first sputnik for the precise purpose of preventing the military from controlling the space programme. Until now NASA has had all the best of it in what, apart from the enormous size of the stakes, amounts to a fairly typical Washington inter-agency struggle for power. All attention has been directed on the race to reach the moon and the civilian agency has responsibility for that effort. Moreover, the well-publicised activities of NASA and its glamorous astronauts are better suited to the vital task of enhancing the world prestige of the United States than are the Air Force's hush-hush activities in space.

So the grand designs in space of General Le May, the Air Force Chief of Staff, have been frustrated and he has been limited primarily to the secret launching of the "spy in the sky," unmanned reconnaissance satellites. The Air Force has made no progress so far, for example, in its plan for huge stations in orbit which would test the ability of man to exist in space for long periods of time. NASA once considered the development of such space stations but discarded the idea for fear that this might siphon money away from the primary goal of reaching the moon. Yet, says the Air Force, a space station would have incalculably more military value than a lunar expedition.

Now the Air Force may be able to start soon on such a project and at least it will be able to accelerate its plans for the Dyna-Soar, a winged spaceship far more manoeuvrable than the bullet-like capsules which carry the astronauts and of military importance because it can be controlled when re-entering the atmosphere and can land on conventional airfields. Opposed by Mr McNamara for reasons of economy and by NASA on the grounds that it duplicates present manned flights in space, Dyna-Soar is now expected to move out of the blue-print stage. Similarly, the Air Force seems likely to get more money for the development of bigger, more powerful rockets.

None of this means that NASA's programme is about to be cut back. The civilian agency may even accelerate its schedule enough to pull off a day-long orbit by an astronaut before the end of the year and it will keep to its plans to put a man on the moon before 1970 (and hopefully before the Russians do) and on Mars and Venus after that. Just this week, NASA performed its most impressive launching of an unmanned satellite, successfully firing off a spaceship that should come within 10,000 miles of Venus by December. And if the Air Force has powerful partisans in Congress, so does NASA. Senator Kerr of Oklahoma, one of the great lords of the Senate and chairman of the Senate Space Committee, is a powerful patron for the agency and has placed one of his protégés, Mr James Webb, as head of NASA.

What really has happened is that Congress has become increasingly uncritical about requests for funds for space, whether for lunar exploration or for the development of military spaceships. With few members able to appreciate the intricacies of this new world and most of them utterly unaware of the feuding between military and non-military spacemen, Congress tends to rubber-stamp any space proposal sent to it just to be on the safe side. The space budget is, in fact, rapidly approaching the status of a sacred cow which the defence budget already has in the halls of Congress. The scattered taunts of "moonoggle," heard from Republicans last year when Mr Kennedy first outlined his plans for exploring the moon, seem today like memories from another age.

Now and then a few rambunctious souls in Congress question whether the space programme is worth quite so much money at a time when domestic spending is under severe curbs. Senator Proxmire of Wisconsin, a gadfly Democrat with a flair for the unconventional, has been accusing NASA of waste and profligate spending, particularly in the construction of its new space centre at Houston, Texas. Other Congressmen are fearful of the impact on scientific research in general of the huge demand by NASA for scientists and this draining away of scientific talent is likely to be aggravated by the Air Force's greater activity in space. Some even dare to ask just how much a military spacecraft such as the Dyna-Soar adds to total defence preparedness and whether the frightening talk of Russian world conquest through space vehicles is not merely an Air Force ploy to win approval of its long-pending space proposals. But these are mere voices in the wilderness and they will do little to inhibit what may soon be the most expensive single endeavour of the government.

Congressional Record

LEGISLATORS will have earned their rest over the coming Labour Day weekend—in spite of its name it is a national holiday in the United States—if Congress allows itself even this much relaxation in its sudden last-minute rush to do what President Kennedy has asked and leave a record behind it in Washington on which to fight this autumn's election campaign. The record will be impressive in Mr Kennedy's view—obviously he has been forced to modify his ideas about what can be called impressive—if action is taken on the farm Bill, the drug Bill, the trade expansion Bill, the bond issue for the United Nations and the constitutional amendment outlawing the poll tax. This was the list given by Mr Kennedy at his press conference last week but in addition, in his nation-wide economic address a week earlier, he had asked for tax revision, for help for higher education and for unemployed young people, for more public works and for another extension of unemployment benefits for those who have been jobless for so long that they have exhausted their rights under the insurance scheme.

The last measure was turned down unexpectedly this week by the Ways and Means Committee of the House of Representatives, under the influence of the general improvement in the economic indicators during July; these made anti-recession measures seem less urgent. But the House has now approved the public works Bill, already passed by the Senate in a slightly different form; neither version gives the President as much as he wanted in the way of stand-by authority to help depressed areas in the event of a recession, but both provide generous amounts for this purpose for immediate use. The Bill authorising the United States to buy bonds issued by the United Nations to finance its operations in the Congo and the Middle East will not be brought up in the House until next week, in order to give the Administration time to try to undermine the opposition which endangers this measure, and consideration of the Bill appropriating funds for foreign aid has been postponed until September 19th for the same reason. On the other

hand this week the House has dealt satisfactorily with the poll tax and has accepted without question the Senate's amendments to the communications satellite Bill; this makes it unnecessary for the Senate to vote on this Bill again and ensures that there will be no opportunity for yet another delaying action by its critics.

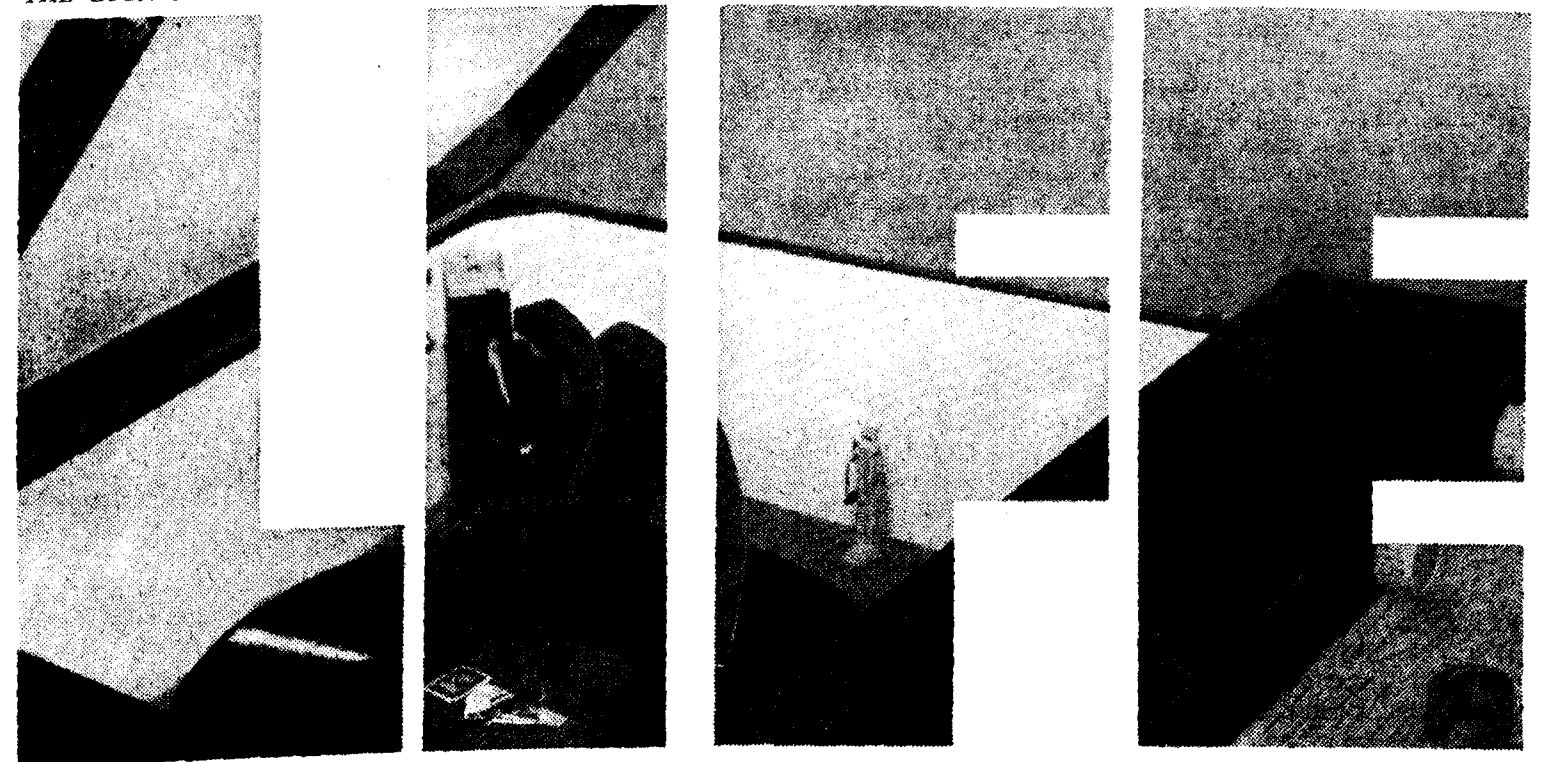
The Senate has been working even harder, as it needed to do. It has passed quite a satisfactory farm Bill, although it is one which may be hard to reconcile with the House's version, and a drug control Bill; the companion measure in the House has not yet come out of committee. The reverse applies to the trade expansion Bill, which has been passed by the House but is still in committee—and apparently in some difficulty—in the Senate. This has, however, made it possible for the Senate to deal this week with the tax revision Bill which might well have been lost in the rush to get home if it had been left to the end of the session. What comes out of the Senate, however, will probably be only a very emaciated version of the tax changes which the President wanted originally, or of those which the House gave him. But at least it will be better than nothing and, if all goes well with the trade Bill, this will provide a triumphant end to this disappointing session.

Kefauver's Justification

THE Drug Industry Bill of 1962 should really be called the Kelsey-Finkbine Bill after the two women who gave substance to what had been until then only a piece of shadow boxing with the drug manufacturers. It was Dr Kelsey and Mrs Finkbine who dramatised in the popular imagination the need for more control of the industry, demonstrated by America's narrow escape from the thalidomide disaster which struck Europe's babies. Suddenly the Bill to tighten the regulations governing the manufacture and sale of drugs, on which Senator Kefauver had held hearings two years ago and which had just been reported to the Senate in a form so weak as to be comparatively useless, in his view, became a piece of "must" legislation in the opinion not only of the President but also of the Senators and Representatives who have to face the voters in November. Even the drug manufacturers, recognising that they must do something to re-establish public confidence in the safety of their wares, withdrew most of their opposition to the original Kefauver proposals. All but one of these were promptly restored to the Bill. It has now been passed by the Senate and is expected to sail through the House of Representatives. The only serious omission now, according to Mr Kefauver, is the absence of any attempt to force manufacturers to release their patents sooner and thus to reduce the present "monopolistic" prices of drugs.

Dr Kelsey became a heroine because, as an official of the Food and Drug Administration she refused to allow the sale of thalidomide in the United States in spite of great pressure from the manufacturer. The new legislation strengthens the agency's power to prevent the commercial marketing of a new product until it has been approved. Mrs Finkbine, who wanted an abortion because she had used the sedative and feared that her child would be deformed, had obtained the thalidomide abroad; but it had in fact been prescribed for nearly 1,600 patients, including about 200 pregnant women, in the United States by doctors who had received experimental samples from the manufacturers. The Bill authorises the FDA, which is already expanding its control over clinical trials of new drugs, to demand reports on tests and to require that these should be made on animals before humans and that the interest of the patient should be considered.

One of the most important provisions of the Bill is that a new drug must be proved effective as well as safe before it is sold commercially. Another allows the government to order the



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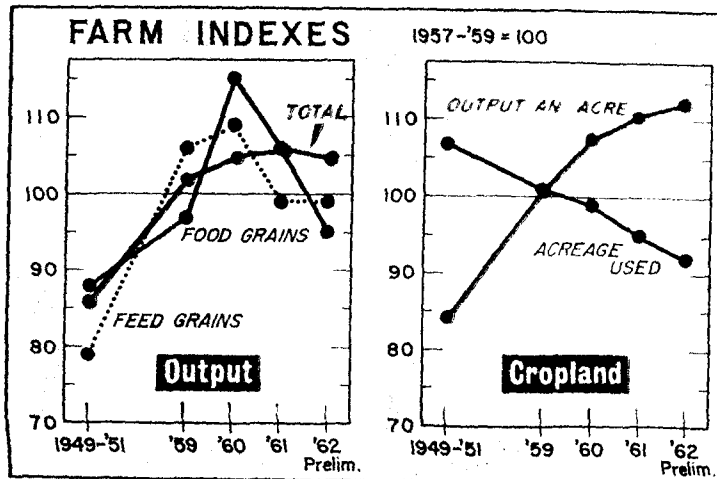


immediate withdrawal of any drug should it appear to present "an imminent hazard to the public health." The Bill also increases the FDA's power to inspect and regulate the production, labelling and advertising of drugs and the information about them which is given to doctors. The industry thinks that some of these provisions go too far and it is also being suggested, by Senator Kefauver among others, that the FDA, as at present organised, is not efficient enough to use its new powers effectively.

Half a Farm Bill?

THE Senate is having a second try at getting the House of Representatives to accept the Administration's "supply management" answer for the problem of farm surpluses. The House turned this down early this summer and substituted a Bill which simply extended for another year the present expensive emergency programmes for supporting the prices and cutting the output of food grains (wheat) and feed grains (maize, barley, etc.). The Senate's version of this second Bill does the same for maize and also in effect for wheat, since next year's crop is being planted already so that it will be hard to apply the new scheme until after the 1963 harvest even if the House agrees to it. But then the Administration and the Senate want to make it possible for wheat plantings to be reduced below the present national minimum of 55 million acres to whatever level the government decides would produce less than estimated annual consumption. This would make it necessary to draw on surplus stocks of wheat to satisfy demand; once these stocks were down to a desirable reserve—about half the present 1.3 billion bushels—then the aim would be to keep supply in step with demand.

The original farm Bill contained a similar "supply-management" scheme for feed grains which was opposed strongly by Representatives from areas interested in livestock and which was largely responsible for the defeat of the Bill in the House. Therefore this scheme was not pressed the second time round in the Senate, but at the last minute an amendment was adopted which would make it possible to abolish price supports for maize altogether in 1964. In practice the Secretary of Agriculture would be unlikely to do more than reduce them by an amount which would remove the incentive for surplus production. The House Bill contains a price provision enabling the same result to be achieved by different means so that compromise should not be impossible. And when nearly \$6 billion has just had to be found to finance next year's agricultural programmes and midwestern farmers are about to strike for higher prices from food processors, there is plenty of reason why Congressmen should approve some new approach to the farm problem before facing the electorate.



Judging the Judges

MR JUSTICE FRANKFURTER's twenty-three years on the bench of the Supreme Court, covering a period of great economic and social change, will have a lasting impact on American law. No one has been more devoted to the tradition and significance of that Court as the shield of American liberty and no one has done more to enliven its proceedings. Arriving on the bench as a renowned New Dealer he became a pillar of conservatism once he was there—but the liberals were still his friends and admirers. One of them is succeeding him now that he is retiring because of ill-health. Like Mr Frankfurter Mr Arthur Goldberg is a Jew and comes to the Court as a believer in expanding governmental activities to meet the expanding needs of the day. He is the first trade union lawyer to become a Justice of the Supreme Court. He goes there from the Department of Labour where he has made an excellent impression by his energy, his independence and his ability to settle strikes by negotiation. As Secretary of Labour he appears to have had no difficulty in detaching himself from his earlier trade union connections, so there is no reason to suppose that he will not now be equally successful in detaching himself from his present connections with the Administration.

The Senate is unlikely to make any difficulty about confirming Mr Goldberg's nomination, although some of President Kennedy's less important judicial appointees have been kept waiting far too long. The most notorious case is that of Mr Thurgood Marshall, the Negro who was nominated for the Second Court of Appeals almost a year ago. He has been serving on an interim basis ever since, with his confirmation held up by a subcommittee headed by Senator Olin Johnston of South Carolina. This southern Democrat objects to Mr Marshall because of his race and because he made his reputation as the lawyer who argued—and argued successfully—against racial segregation and for civil rights for Negroes on behalf of the National Association for the Advancement of Coloured People. President Kennedy commented on this unconscionable delay last week and attempts are now being made by the leaders of both parties to bring the nomination to a vote before Congress adjourns. If this can be done it seems certain that Mr Marshall will be confirmed.

To School in Summer

FROM A SPECIAL CORRESPONDENT

FOR an ever-increasing number of students and teachers in the United States, the long summer vacation (eleven to sixteen weeks) has become a busman's holiday. During August a bewildering variety of summer sessions in universities, colleges and secondary schools come to a close, most of them in time to allow staff and students a little holiday before the regular term begins in September. About half the state school districts in the country hold summer sessions and the proportion is much higher if rural areas are excluded. The number of people enrolled for the summer at institutions of higher learning has grown from 132,000 in 1919 to 1,191,000 in 1957, the last year for which official figures are available. The Association of Summer Session Deans and Directors reported a 9 per cent increase at its member institutions in 1961 over the previous year.

The motives behind the growing practice of summer studies are as various as the programmes that serve them. The further education of teachers has always been a leading element; indeed, the summer session traces its descent from the early nineteenth century "teacher institutes," brief gatherings at which were discussed such subtle questions as how to prevent whispering in class or "should the teachers encourage pupils to chew tobacco?" By

the last quarter of the century colleges and universities, with Harvard among the leaders, were beginning to provide a few summer courses for teachers. In the twentieth century with higher qualifications being demanded of teachers, with the vast growth of schools of education and, more recently, the provision that expenses incurred in "maintaining or improving skills required by the taxpayer in his employment" are deductible under the federal income tax, the incentives for school teachers to become summer students have increased. A number of philanthropic foundations now help high school teachers to study during the summer. The National Science Foundation, to take a leading example, provides NSF Institutes in many universities, where instructors in mathematics and the sciences from secondary schools can brush up on recent developments in their fields.

But the education of teachers is no longer so clearly the dominant element in summer sessions. A study carried out at the University of Minnesota in 1956 showed that school teachers and administrators accounted for but a third of the summer enrolment, while three-fifths were regular college or university students, working to get their degrees sooner, or simply taking courses which, for one reason or other, they had been unable to take in the ordinary term. At the University of Wisconsin in 1961 regular students accounted for nearly three-quarters of the summer total and school teachers and administrators less than one-quarter. What proportion of the regular students are in effect taking remedial work is a sensitive issue. The impression that summer sessions for non-teachers are primarily a way of catching up with the curriculum or of repairing previous sins of omission is not without foundation; the director of the Harvard Summer School has indicated that perhaps a third

of the Harvard undergraduates enrolled at it "have some kind of an academic deficiency."

But it is no longer to be assumed that summer schools are largely hospitals for the academically halt and maimed. There is evidence, in the Minnesota and Wisconsin studies, that summer students do not vary greatly from those at work the rest of the year; this is scarcely surprising, since they are, to an increasing degree, the same people. Whether they get as much done in July as they do in January remains debateable. Summer schools emphasize unabashedly their recreational and general cultural advantages. Most of them are supported wholly or in large part by tuition fees and advertisements such as this, from Humboldt State College, California, are not uncommon: "This summer try the cool, green Redwood Empire. . . . Study six weeks, and then see the [Seattle World's] Fair!" The American University, Washington, DC, wisely says nothing about climate but bills itself as the place "Where World Events and Students Meet" and offers a variety of attractions ranging from an "Institute on Driver Education" to one on "Human Relations and Intergroup Understanding." Summer sessions are usually shorter than regular terms. They therefore give many who teach or study in them a feeling of education by kaleidoscope or just plain intellectual indigestion. Classes often meet five times a week. Examinations, term papers and all the other familiar afflictions of American higher education become even more frequent and distracting than usual.

On the other hand, the very fact that the summer session is something of an adjunct to the main business of a university or school usually gives it flexibility; experiments are made more readily, without objection from tradition-bound staff committees or

Wigs Transformed

FROM A CORRESPONDENT IN NEW YORK

WHEN Mrs Kennedy, who sets the fashion pace on the New Frontier, took a wig with her to Paris last year the women who had hesitated about this new fad immediately joined the rush to buy at least one wig and to boast about it. All the best people in the film world and in New York's "Jet Set" probably have two or three each by now; secretaries save their money to buy wigs; winners of television and other contests demand them as prizes. Down-at-heel poodles have been seen in them and even men, who once went stolidly bald, are awakening to the lure of toupees.

There are five or six quality wig makers in the country and scores of smaller firms which churn out machine-made pieces by the thousands. At last count, between two and five million women owned wigs, some because of "hair problems" but many for the pure joy of it; they have helped to make the wig industry into a \$40 million proposition which now advertises its products by their real name, instead of calling them "hair pieces" or "transformations." Wigs are priced at between \$2.95 and \$750 apiece; the average charge for a good one is \$250. The cost depends largely upon the origin of the hair and the delicacy with which it is blended and knotted into the finished article.

Italian women possess the very finest,

most lustrous hair, which has been neither "permed" nor dyed, and quality wig makers have been paying prices as high as \$250 a kilogram for the rarer colours such as natural white. Brunette hair is the easiest to find and consequently the least expensive, although prices have climbed since last autumn from \$5 a pound to \$60 a pound. Last year Italy exported over 12,000 pounds of hair to



the United States, which imported 35,000 pounds altogether during the year.

To make a fine wig is an art. The hair is selected and often some 300,000 strands are blended and knotted into a silk and nylon foundation so that the hair actually appears to be growing. The finished piece is easily attached to the head by elastic behind and springs at the side and front. A woman can then brush her own hair up over the front of the wig so that no tell-tale traces remain. A good wig must not

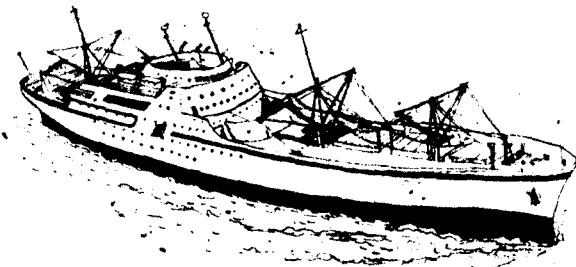
be dyed, for this rots the foundation. Women find it safer and more fun to own two in different colours. Since Italian hair is expensive and hard to come by in large quantities, makers of lower quality wigs have been importing coarser, cheaper hair from the heads of Korean and Japanese women, or sometimes from the backs of goats or yaks, which they sew by machine into cotton foundations for the mass market; synthetic hair may also be used. One way of telling a good wig from a bad one is the weight, which is about three ounces for an expert piece and double that for a cheaper one.

Wigs have emancipated women from the time they used to spend at the hair dressers. Now they begin their daily shopping routine by dropping off the wig at a beauty salon, where it is dressed; they pick it up again at the end of the day. They can swim and engage in other active sports without having to worry about the state of their hair. Some women, in fact, have been able to say goodbye to their psychiatrists because their inner turmoils have been erased by the possession of a wig. Needless to say, wigs have made hats even more *passé* than they were, but they have brought new ancillary products onto the market—stands to keep wigs on, boxes to carry them in and so on. The fear now is that the latest "Marienbad" style, a simple straight bob, replacing the more complicated "semi-bouffant" fashions, may make wigs *passé* in their turn.

boards of education. For some kinds of work, short, intensive summer sessions are advantageous. At Stanford University, for example, a student can, by working full time at it, progress as far in the study of the Chinese language in a summer as he would normally in a whole academic year. The high schools are discovering that summer sessions can help the gifted child just as much as the slow learner. In Clayton, Missouri, a suburb of St Louis, the Mark Twain Summer Institute has been in operation since 1959, using facilities made available by the local Board of Education and money from private foundations. Its aim is to give teachers the chance to try out techniques designed for the unusually able secondary school pupil; the student body in 1960 consisted of 358 boys and girls, selected from 87 different schools. That Clayton is no isolated instance is proven by the presence in many other high school summer programmes of courses obviously aimed at the better students: beginning Russian or pre-university mathematics.

Some observers, restive at the thought of educational facilities going unused or working at less than capacity during the summer months, have long urged that schooling at all levels be put on an around-the-calendar basis, with the summer term no different from any other. Universities have experimented with the so-called "trimester" system and those that operate on the basis of academic quarters (instead of two semesters a year) find it relatively easy to accommodate themselves, at least partially, to these demands. But such experiments have had indifferent success, partly because the supposedly idle facilities turn out to be quite fully utilised, what with the existing summer sessions and the array of conferences, workshops, clinics, seminars and institutes that generally accompanies them. In California this summer an enthusiast could attend a Conference on Classroom Creativity in San José or a six-weeks Institute on Communism at the University of Southern California (complete with "accompanying workshop," whatever that meant); or he might have escaped just over the border to the Lake Tahoe Music Camp of the University of Nevada. Through such activities there is scarcely a sector of the general public, from amateur sopranos to shop stewards, that is without some access to the groves of academe in summer.

Savannah—All at Sea?



LAST week's maiden voyage of the NS Savannah, the world's first nuclear merchant ship, involved even more upsets than ordinarily occur at such times. At one point, it seemed that a strike by the crew against their pay and living conditions might prevent her leaving port at all. Then, when she did put to sea, the nuclear reactor broke down temporarily. Nor are the longer-term prospects for the vessel unclouded, in spite of the official enthusiasm of the Secretary of Commerce. He expanded on the importance of the Savannah as a demonstration of the dependability and safety of nuclear ships; as part of the Atoms for Peace programme; and as a prestige symbol for the American merchant marine, much in need of some such stimulus. This last function will be enhanced by the tour which the Savannah is making, first

of virtually every major American port and then of foreign ones.

On the other hand a sour note was sounded by representatives of the maritime industry itself; they cast doubts on the whole concept of using nuclear energy for merchant shipping. The critics complain that the \$54 million spent on the Savannah would pay for five Mariner vessels of the type already widely in use, each of which would be faster and would be operated with a smaller crew, at only about half the cost and with about 35 per cent more capacity than the Savannah's 9,830 deadweight-tons. Built to carry 60 passengers as well as cargo, at a top speed of 23 knots, the nuclear vessel was no bargain to construct; it was built by the New York Shipbuilding Corporation under the joint sponsorship of the Maritime Administration and the Atomic Energy Commission. Nor, it can be safely predicted, will the States Marine Lines, which is operating the vessel for the government, find it a bargain in this respect either: not only does the Savannah carry a larger crew than a conventional vessel of the same size, but bonuses are also paid for the special skills which are required.

But for a prototype, which the Savannah is, none of this is either unusual or astonishing. Already the Maritime Administration is taking steps to close the cost differential both in construction and operation. The pressurised water-type reactor which drives the Savannah's 20,000 horsepower turbine engines is basically the same unit as was installed five years ago in the nuclear power station at Shippingport, Pennsylvania, and in the early atomic submarine Nautilus; it cost about \$10 million. The administration aims to reduce this to \$5 million in the near future and \$3 million by 1966. The key to economy in operation may be the agency's study of the possibilities of using automation in cargo shipping, leading ultimately, it is hoped, to the crew-less vessel. Should these efforts to cut costs succeed, the one great advantage which the Savannah has over all other merchant ships afloat would be telling; she can cruise for three-and-a-half years on 130 pounds of uranium-235 fuel. An oil-burning vessel of the same size and horse-power burns that many tons of fuel in a single day.

Fraying Union

FROM A CORRESPONDENT IN CHICAGO

"IN unity there is strength" has always been a favourite catchphrase of the American labour movement. But the meeting in Chicago a fortnight ago of the executive council of the American Federation of Labour and Congress of Industrial Organisations showed that among the leaders of the movement there is anything but unity today. Outwardly last month's differences appeared petty but they are evidence of deeper differences which may split the merged labour movement back into its old AFL and CIO camps. In 1955 the AFL, whose trade unions are organised mainly by crafts, and the CIO, which had broken away earlier to form industry-wide unions, joined together again. An executive council was established to meet three or four times a year to outline policy. Eighteen of its twenty-eight members are drawn from the conservative AFL and ten from the more liberal CIO. By agreement any vacancy is filled by a representative of the same group.

In 1961 Mr Buckmaster of the rubber workers, a CIO union, retired. The question of who should replace him was the immediate cause of the flare-up at Chicago, though the disagreements between Mr Meany, the former AFL leader who is the president of the merged organisation, and Mr Reuther of the CIO go much deeper than this and have been inflamed in the past by disputes over which unions should have the right to organise which workers. The CIO group unanimously selected Mr Helstein, the president of the packing house workers, to fill the vacancy but Mr Meany's immediate reaction was to veto the appointment because of the history of communist influence in the packing house union.

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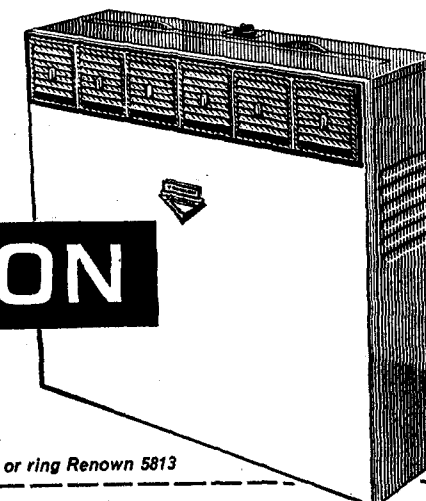
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At the AFL-CIO convention in Miami last December the issue was shelved temporarily but last month, when the executive council convened in Chicago, the CIO unions insisted that Mr Reuther should thrash the whole matter out with Mr Meany. Mr Reuther, who will never agree to meet Mr Meany alone, took along as witnesses Mr Dubinsky of the ladies' garment workers and Mr Hayes of the machinists. At the confrontation Mr Meany charged the CIO with having rigged the Helstein nomination in order to cause him embarrassment; he also accused Mr Reuther of lying.

When these exchanges were reported to the CIO leaders their reaction was that the merger was impossible to administer and that probably there was nothing to be lost by breaking away from it. In the angry atmosphere of the meeting it appeared quite likely that the labour movement, which had struggled so hard for unity, might break apart. It was already known that Mr Reuther himself felt that the merger had produced only "unity in form, not in fact or substance. We merged but we did not unite."

MR HELSTEIN'S election to the executive council was not the only issue to cause serious difficulties. Both Mr Meany and Mr Reuther represent American labour at the meetings of the International Confederation of Free Trade Unions. Mr Reuther's alternates, both from CIO unions, are Mr James Carey, the president of the electrical workers, and the steel worker's president, Mr MacDonald. Recently Mr Meany objected to both of them, saying that Mr MacDonald took no interest in the ICFTU and that Mr Carey was unpredictable. This angered Mr Reuther and the CIO group and Mr Meany apologised to Mr MacDonald and withdrew his objections to him, though not to Mr Carey. Mr Reuther insists that whom he chooses to act for him is none of Mr Meany's business. The president of the AFL-CIO does not agree but the conflicts on both issues promised to be so serious that he himself proposed that they should be postponed until the council meets again in November, when they would be put at the top of the agenda.

By this means the ostensible unity of the labour movement will be preserved for another three months. But the CIO group has come to feel, perhaps for the first time since 1955, that an open rupture would probably not do it much damage. Its attitude is hardening but unfortunately Mr Meany also tends to be uncompromising on many issues. On the other hand he is very proud of having been the architect of the merged labour movement and of his position at its head. He would be reluctant to have it break apart into the bitterly opposed camps which existed before 1955. This may well explain Mr Meany's somewhat unusual willingness to go softly in Chicago last week.

SHORTER NOTES

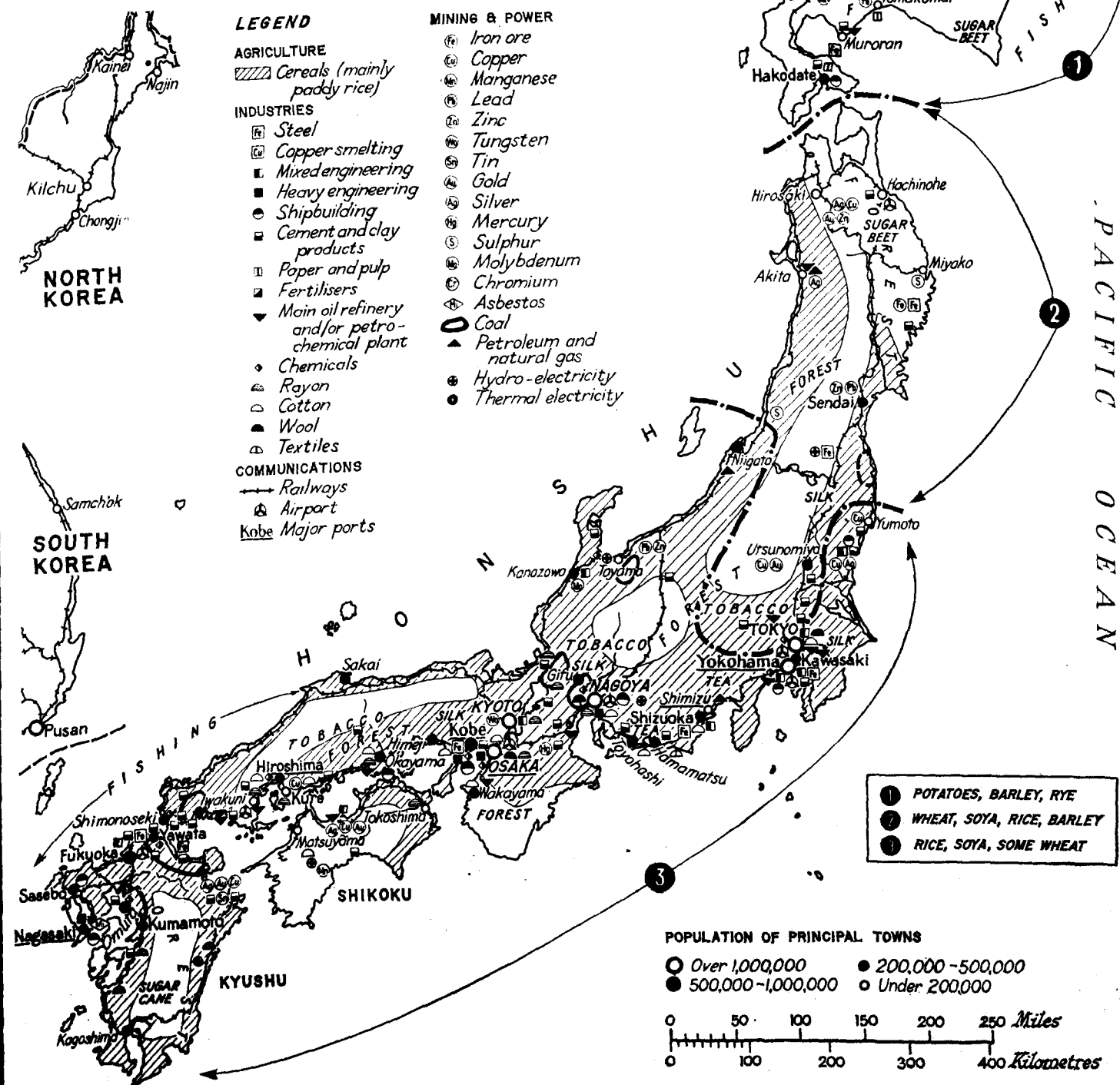
To the great satisfaction of President Kennedy and of the Philippines, the Senate acted quickly to approve the Bill to pay \$73 million as a final instalment on Philippine claims for war damage. The House of Representatives had voted this down in May but reversed itself early in August and decided by 194 votes to 35 to honour what President Kennedy called this "moral obligation." The Bill's provisions were tightened slightly but the offended outcry in the Philippines was the main factor in the switch.

Miss Amy Vanderbilt, the authority on etiquette, has been asked by the New York City Transit Authority to draw up a code of courtesy for the drivers of its buses and their passengers. Last week, before she started four weeks of research in the field—battlefield might be a better description—Miss Vanderbilt held a press conference in the back of a parked bus; the Transit Authority enlivened the proceedings with demonstrations by live actors of the sulky or autocratic driver (whose temper is often soured by having also to dispense tickets and change) and the fretful, overladen, pushing or actively rude passenger. This over, Miss Vanderbilt departed in her chauffeur-driven limousine.

Salt Lake has been shrinking steadily since prehistoric times, when it was as large as one of the Great Lakes. It has shrunk from nearly 4,000 square miles to less than 3,000 since 1896, when Utah was admitted to the union. The state, which claims all the land under its lakes and rivers, contends that it owns the wide strip of land exposed in the last 66 years and wants to lease it to chemical companies which are interested in extracting salt, potash and magnesium from it. But the federal Department of the Interior claims this marginal land as part of the federal domain and suggests that the dividing line should be the present edge of the water.

Correction:—Editorial handwriting was at fault again last week when it betrayed *The Economist* into giving the appearance of making an unjustified comment on the 1953 contract between the Hanna Mining Company and the United States government which is now being looked into by a Senate subcommittee. The last sentence of the note on this investigation of the stockpile, on page 700 of the issue of August 25th, should have read "this nickel contract could do with further examination," not "this wicked contract."

CONSIDER JAPAN-I



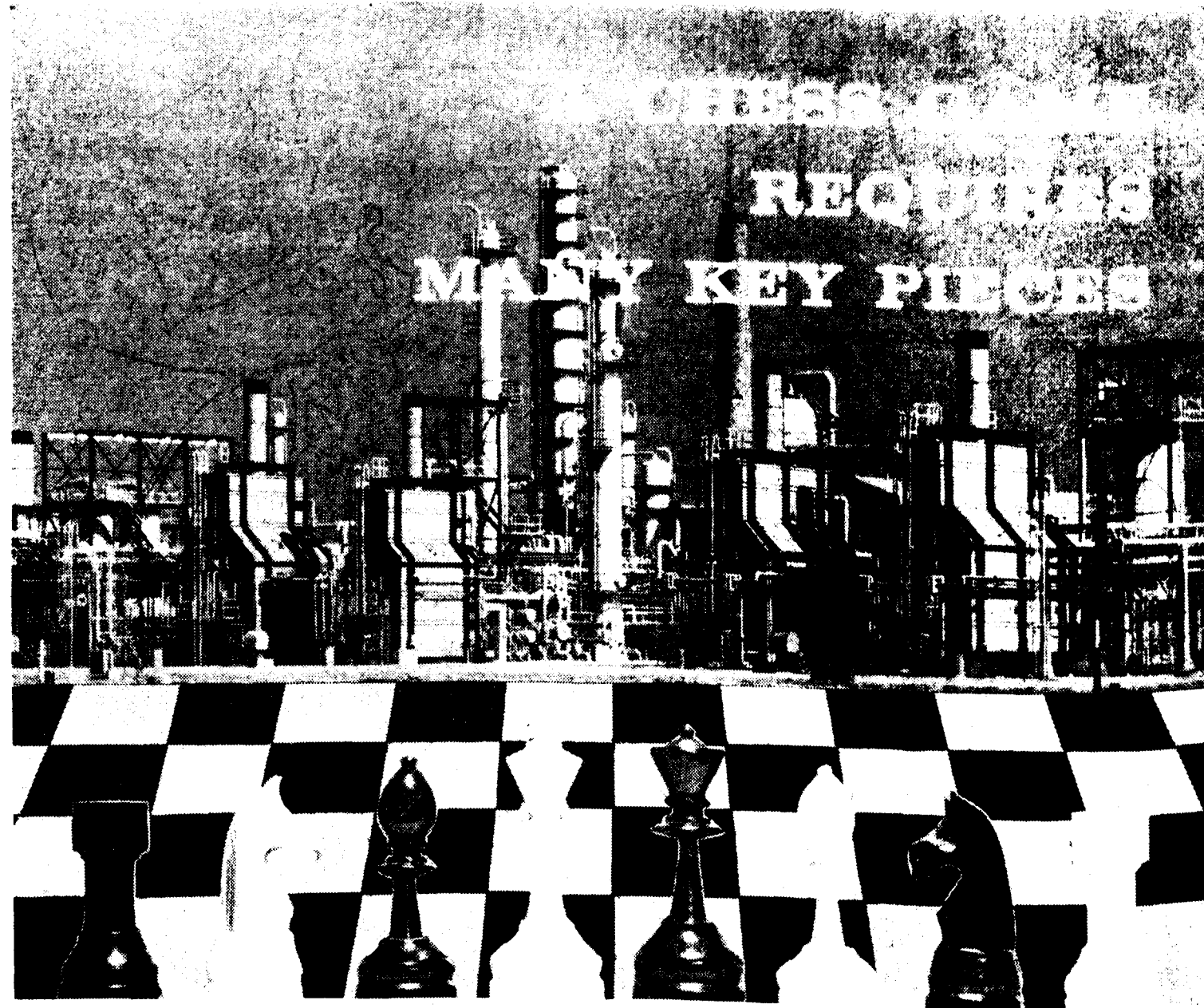
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CONSIDER JAPAN—I

THE growth of the Japanese economy in the past ten years has been one of the most extraordinary economic stories of all time. Here is a case where the whole way of life and prospects of a people have been transformed within a decade, and with the aid of an economic policy that has been singularly little studied in the west. This summer a member of The Economist's

staff, whose usual job is to write about British economic policy and problems, visited Japan. In the survey below he reports, still a little goggle-eyed, on what he believes to be the lessons of this remarkable Japanese achievement for Britain. A second survey next week will pick up the story of what seem to be the lessons of Japan's experience for underdeveloped countries.

The Most Exciting Example

AT the end of 1951 Mr Joseph M. Dodge, the Detroit banker who had tried (without consistent success) to impose stern policies of demand restraint upon the Japanese government during the dynasty of General MacArthur, shook the dust of a once more independent Tokyo off his feet. His parting message was not designed further to endear him to the Japanese people. "At present," declared Mr Dodge severely, "Japan is suffering from a plague of false legends, which include some dangerous delusions." He then listed fifteen of these delusions, in language which will strike familiar chords for connoisseurs of recent British cabinet ministers' speeches. The delusions included:

That increased production without a parallel increase in exports represents sound progress. . . . That inflation can easily be offset by increased production. . . . That a nation that must export to live can afford to price itself out of its export markets with a domestic inflation. . . . That granting progressively larger amounts of commercial bank credit for capital purposes can be substituted for the normal processes of capital accumulation. . . .

"The progress and present favourable status of Japan," concluded Mr Dodge, "has been the result of extremely favourable external circumstances, which cannot be expected to be repeated and continued indefinitely." He then returned to the United States (average growth rate since then about 2½ per cent per annum), and sat down in his Detroit bank awaiting Japan's inevitable crash.

In the decade since then Japan, continuing and following almost precisely the policies which Mr Dodge had castigated and opposed, has seen its real national product increase at an average pace of over 9 per cent a year, its industrial production and rate of manufacturing exports more than quadruple, its urban population make the great breakthrough into the first modern consumer-oriented economy in Asia. In the process it has seen the average Japanese's expectation of life (now just over 65 for a man, just over 70 for a woman) rise to ages that are now actually ten years longer than they were only twelve years ago. There are some who will regard this last achievement alone as one of the most exciting and extraordinary sudden forward leaps in the entire economic history of the world.

Moreover, we are talking here not only of a trail-blazing pioneer for Asia; we are dealing with a story that has by now deep implications and parallels for Europe as well. From the welter of remarkable sets of figures about modern Japan, British readers should perhaps first pick out two. First, of the babies who were born in the year after General Doolittle's bombs first fell on Tokyo, so far as one can see from the available educational statistics, only just over 40 per cent left school at the minimum leaving age of 15 in 1958; another 45 per cent or so stayed on at high school until 18; and more than another 10 per cent are currently passing through college or university. The equivalent figures in Britain were over 60 per cent leaving school at 15, around 30 per cent at 16 to 18, and only about 7 per cent going on to college or university. Moreover, the bias of later education in Japan is much more heavily technical, and their big firms train skilled workers more assiduously and deliberately than most of their rivals in Britain. Those Englishmen who think of Japan as a backward country of adaptable but unskilled labour are talking nowadays through their hats as far as Japan's new and younger workers are concerned; this is, in point of fact, a more lengthily educated and technologically skilled generation of young Japanese who are now moving into their modern factories than their contemporaries among young people in Britain.

Secondly, investment in productive capital equipment in Japanese industry last year, on a straight yen-sterling exchange rate basis, seems to have been about one-third larger than equivalent investment in industry in Britain. Admittedly, Japan has a labour force nearly twice as large as Britain; but in the competitive, non-agricultural, big-company, modern sector of industry—into which the majority of both the new Japanese investments and new young Japanese workers are moving—Japan's total labour force is actually still rather smaller than ours. This new generation of more skilled Japanese is moving into factories where entrepreneurs are currently putting behind each one of them in the larger factories a greater force of new and modern capital equipment per head than is being put behind their rather less educated and less well trained contemporaries in Britain; in a few years' time, on present trends, logic would suggest that they could beat us competitively in a much wider field of industry than

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most people in Britain at present begin to imagine—even if their wage rates in this modern section of industry do at last go up towards our standards too.

All this has been achieved in a country which seventeen years ago lay in ruins, which even ten years ago had only just re-attained its prewar level of production, and which has suffered far greater disabilities in its traditional export markets (because of the nature of its exports, and the closing of China) than postwar Britain has done. If all this is the result of internal policies which wise men thought would bring about a crash, then, in the name of simple economic common sense, government economists and apostles of conventional economic wisdom from all the world should be coming to Japan to study just how to emulate it.

The trouble is that one is fearful that conventional wisdom may be going to stop the advance instead. One of the done things to say in Japan this year—it was said to your correspondent on more than one occasion—was that the Japanese must now learn respectable economics from the British and



Young Japan at play

Not So Exceptional Case

ANY transient foreign visitor writing about Japan is immediately faced by a major apparent difficulty. The psychological make-up of the ordinary Japanese, individually as well as en masse, is said to be very different from that of most westerners; all old Japan hands hasten to impress that on the visiting greenhorn, the older and wiser the hands the more forcibly they say it. And in at least one respect which impinges upon economics, the old hands seemed to this transient observer to be transparently and palpably right. Without paying any instinctive credence to Kipling's hoary nonsense about east and west, it is worth devoting two paragraphs to discussing it.

For a variety of historical and sociological reasons there does seem to be a sort of inbred collectivism in the Japanese people, whose outward manifestations (this is a wild oversimplification) bear some caricature-like resemblance to the atmosphere in the heartier English public schools. This atmosphere, disconcertingly for the visiting analyst, can overlay the attitude of the Japanese worker (as well as the Japanese executive) in the more successful industries to his job: up the old firm; Itshibishi Heavy Machinery Plant for ever; act as a fag in your first few years, expect to get greater privileges later; take your hands out of your pockets when passing the headmaster, and expect in return to be treated by him as one of "my people" to whom he has a special responsi-

slow down their rate of growth (perhaps permanently) in order to push the pressure on their resources down. This seems a very curious view. For consider the contrast between Japan and Britain, two countries with very similar import structures and an astonishingly similar tendency to run into import deficit at one particular stage of the internal trade cycle. Consider it even in terms of the export figures which British spokesmen themselves generally think should be the main criteria. Japan in the last eight years has marked up the biggest rate of growth in both production and exports in the world (217 per cent increase in industrial production from 1953 to 1961, 232 per cent increase in exports). Britain, by following an almost diametrically opposite policy, has marked up one of the slowest rates of increase in both (28 per cent increase in production, 42 per cent increase in exports). Obviously in these circumstances the British economy has lessons to learn from the Japanese, not the other way round. The articles that follow will set out your correspondent's view—both for western and eastern ears—on what those lessons are.



TV panel game "What's Your Secret?"

bility in times of trouble; feel a genuine personal involvement in the factory's production record and other collective achievements; actively prefer to live together cheek by jowl and to spend a lot of your leisure time in group activities (often of a self-improving sort) sponsored by the firm. The song with which workers and executives of the giant and prosperous Matsushita Electrical plants willingly begin their day has already been widely publicised around a slightly incredulous world (see *Time* magazine, February 23rd last):

For the building of a new Japan,
Let's put our strength and mind together,
Doing our best to promote production,
Sending our goods to the people of the world,
Endlessly and continuously,
Like water gushing from a fountain.
Grow, industry, grow, grow, grow!
Harmony and sincerity!
Matsushita Electric!

One cannot quite see the Ford works at Dagenham singing that.

ON the other hand, one cannot see the workers of a declining industry in Japan singing it in willing unison either. On the contrary, Japanese coal miners—to cite the most

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obvious example of workers in a major but non-expanding industry—have fought some of the bitterest and most violent strikes against their employers in any country since the war; one postwar strike lasted through twenty-two months of the very reverse of peaceful picketing. The Japanese are not nowadays a people who are naturally servile to authority, or who are so silly as actively to enjoy hard work; they just enjoy the group aura arising from success. In consequence, many of them tend to go to extremes in both their group enthusiasms and their group apathies, in both their group likes and their group hates. So long as the policies of a business enterprise or of the government are breeding success, this collective enthusiasm helps to keep success rolling along; if the success story for some reason stuttered abruptly to a stop, nobody can easily tell what would happen, but conceivably the falterers might find that they were holding tigers by the tail.

But the question to be probed in this survey is how and why Japan has achieved an almost consistent success story of economic expansion in the last decade. For that purpose the advantages and disadvantages (for there have been some real disadvantages) arising from Japan's peculiar sociology and habits of group loyalty can justly be regarded as additional accelerators and brakes, rather than as the main motive power. The journalistic method used in this survey will therefore generally be to hivel off discussion of these special Japanese sociological factors and employment customs into three-column features (such as that on the next page overleaf). The main body of the text will then be freer to push forward with analysis of what your correspondent believes are the lessons of Japan's experience that are directly applicable for policy-makers in Britain; and, in reverse, of the lessons—all too often warning lessons—of Britain's recent economic experience which could usefully be noted by today's policy-makers in Japan. The only "exceptional" circumstances of Japan's economy which will be noted in this main text itself will be exceptional circumstances of what might be called a conventional economic sort. The main body of our text will be dressed in western clothes; only in the three column matter will we, so to speak, don Japanese factory uniforms and kimonos.

STICKING, therefore, strictly within these terms of reference, one had better admit straightaway that Japan possesses one conventional economic "advantage" which explains why it should indeed be able to expect a faster rate of growth than would easily be possible in present-day Britain. This "advantage" is that Japan is still only part of the way forward to being a wealthy and fully developed industrial economy as yet. All statistics about social and industrial conditions in the Japanese economy must be treated nowadays as evanescent approximations, because the pace of progress is so great as to render them, with each half-year that passes, drastically out of date. But, making the best extrapolation one can from the last industrial censuses, the workers of Japan—whose *per capita* national income in 1961 still averaged only about two-fifths of Britain's—can fairly reasonably be divided into three broad groups.

Perhaps more than a tenth of the total labour force of 45 million (about 27 million men, 18 million women) work in factories and other productive establishments that are as

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efficient as any of their kind in the world, and they are beginning to enjoy a standard of living which is therefore broadly (even if not yet quite) in line with that level of productivity, at any rate when the extensive fringe benefits offered by all the big Japanese firms are included. To this upper tenth will belong perhaps the upper one-fifth of Japan's 21 million "regular workers" in non-agricultural industries.

Perhaps over another quarter of the 45 million work at jobs where their productivity and living standards, although below those in the most modern sector, are still definitely of western rather than Asian status. After all, we are talking here of a country where more than 45 per cent of households (over 60 per cent in the towns, over 25 per cent in the countryside) now possess a television set and where over 17 per cent of urban households possess a refrigerator.

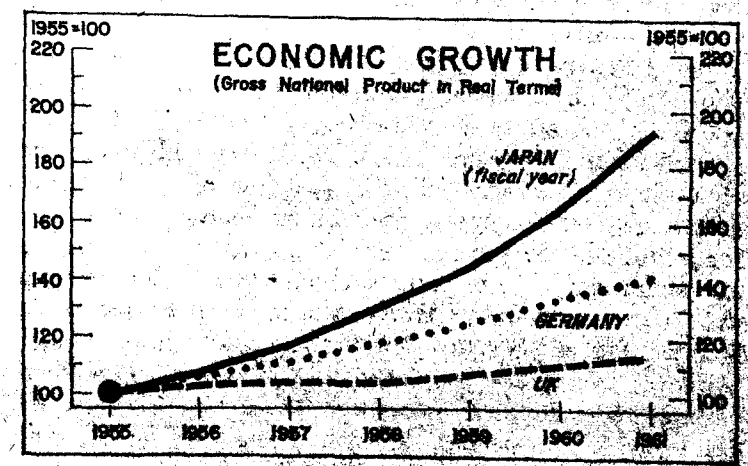
But all this must still leave more than half of Japan's 45 million workers in jobs where their level of productivity (and thus of earnings per hour) is less than half of that in the great modern combines. This depressed half must include the

WAGE AND PRODUCTIVITY INDICES BY SIZE OF PLANT
(Over 1,000 workers=100)

Number of Workers	Japan (1958)		Britain (1949)	
	Added Value per Worker	Wage per Worker	Added Value per Worker	Wage per Worker
4-9	27.0	37.9	...	...
10-50	36.4	43.9	91.4	82.5
50-99	47.9	50.4	93.8	83.7
100-499	64.6	61.2	96.4	85.5
500-999	76.8	75.2	98.1	89.3
Over 1,000	100.0	100.0	100.0	100.0

Note.—The figures for Britain are worked out from the manufacturing census of 1949, but relativities between big and small firms are unlikely to have changed much in the meantime. Figures for Japan refer to 1958. In the last few years wages—and particularly starting wages for scarce teenage workers—have risen even more quickly in Japan's small firms than in its big ones, but the gap between total productivity of all workers in big and small firms has plainly remained.

majority (though not nowadays all, see feature on "Living Standards" on a later page) of Japan's huge army of 22 million small scale self-employed men and "unpaid family workers." Most of these "family workers" are the country's 15 million farmers and fishermen, and its 1½ million small shopkeepers and petty traders; but other family workers still sweat their whole lives out in Japan's 400,000 "very small" (under 10 workers each) industrial "workshops" which really consist of two or three lathes set up in some family's living room.



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The depressed half of the labour force will also include Japan's most miserable employed industrial class of a million or so ageing day labourers (average cash earnings in 1961, about 12s. a day); and many even of the regular workers in Japan's mass of small but genuine industrial establishments with between 30 and 100 workers each, in which labour productivity per worker—in sharp contradistinction to Britain (see table on the preceding page and footnote)—is still generally less than half of that in the big factories with 1,000 workers or more.

The scope for expansion in an economy of this sort is therefore very large, merely by switching workers from the wildly unproductive sectors into the much more productive ones. The problem is notably different in degree from that in Britain. But it is not entirely different in kind. Even in Britain, as figures now published regularly by the Ministry of Labour make clear, average male workers' earnings in new and modern British industries (ranging from motor car manufacture through machine tools and most other forms of engineering to such things as detergents and synthetic resins) are regularly between 20 and 35 per cent higher than those in older sounding industries like textiles (other than the new man-made fibres) or leather goods or footwear or brushes and brooms. These differences are by no means wholly due to differences in innate levels of skills. One of the advantages for a westerner of studying an economy like Japan's is that it

makes it abundantly clear how far modern economic progress depends on switching workers out of the second sort of job into the first.

It also suggests that the pace at which the advance can be effected depends mainly on the answers that can be given to three questions:

(1) Whether the modern sector of industry has an incentive and a mood, and is backed by the kind of government economic policy, that encourage it to play an ever bigger and more expansive part in the national economic life;

(2) Whether the purposeful expansion of marginal domestic demand—which is the only means by which these modern sectors of industry can be spurred on to grow—is then liable to run the country into intermittent balance of payments crises; and if so whether the government can find ways of countering those crises without cutting domestic demand back too grievously and for too long;

(3) Whether the social and economic mechanism for encouraging switches of labour and other resources out of the old-fashioned sector into the modern sector works smoothly and well.

The answers to these questions in Japan are that the Japanese government, either by good fortune or good management, has so far solved the first two problems—that of providing incentives for efficient growth industries to grow, and

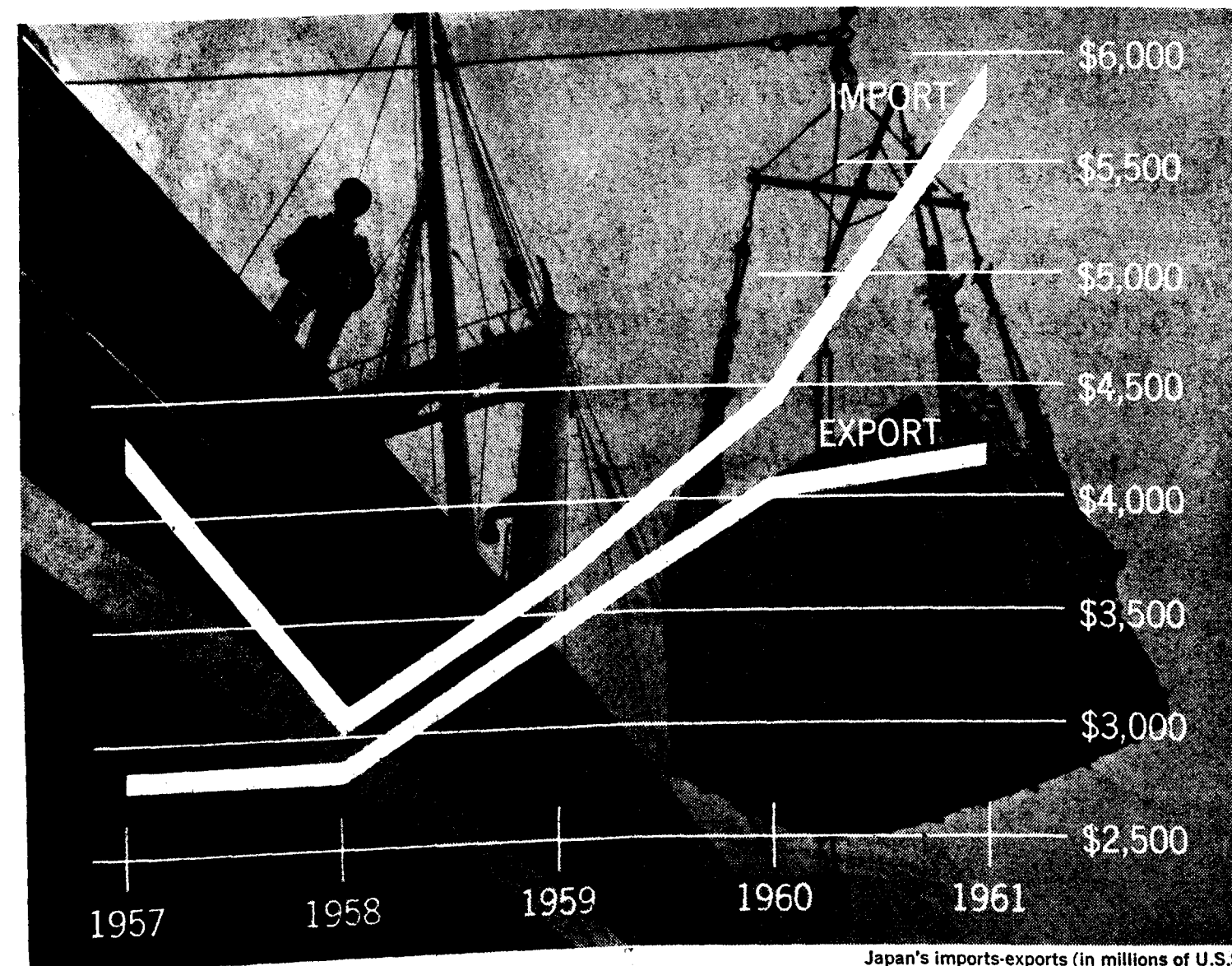
interesting reaction to this, some of the smaller firms (whose total wage rates have hitherto been only about half to three-quarters of those of big firms) have now actually started to pay bigger initial wages for school leavers than the big firms. But this is a relatively new development of the past few years.

(2) Despite this scramble for school leavers, in 1960 only about half of the (fortunately relatively few) Japanese who lost their jobs after the age of 30 were reported to be able to find new wage-earning employment at all (and even then, according to one official survey, "old people [over 35 years] . . . are re-employed mainly as watchmen, stockmen, etc."); the rest reverted either to be family workers on the farms or in cottage industries, or to become day labourers. (In Tokyo by 1960, 94 per cent of the unhappy army of casual day labourers were over 30 and 51 per cent were over 50.)

A similar recognition that new jobs are likely to be offered to young people only is shown by the age structure of the half-million or so Japanese who are leaving the farms each year for jobs in industry. Of those who left in the first half of 1961, 58 per cent were under 19, and 92 per cent under 34; among the second and younger sons of farmers (but not necessarily among the elder sons and therefore heirs), the trek into a manufacturing job when one reaches one's teens is now virtually complete.

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Jobs for a Lifetime

A PART from some 22 million self-employed people and "unpaid family workers" on Japanese farms and in small family businesses, there are three main types of employee in Japanese industry.

At the end of 1961, there were 15 million male and 6.6 million female "regular employees"; these are the luckiest ones, and their system of employment is described below. There were also 860,000 male (and 660,000 female) "temporary employees"; about half of these are generally temporary workers who go back to the farms in summer, while others are on trial to become regular workers, but it is among these men that sackings occur when business conditions turn awry. Finally, there were three-quarters of a million male (and half a million female) day labourers, who are employed only on days when work is available.

The ambition of every young Japanese is to be taken on as a "regular worker" in a reliable firm straight after leaving full-time education. To become a regular worker in a big firm he is likely to have to pass a written exam and aptitude test set by the firm itself, even for an ordinary job as one of the firm's factory hands. Once taken on, he is safe for life, because the firm will make every effort never to lay him off

as redundant, will steadily raise his pay according to his age, will train him and will promote him up the hierarchial ladder of a Japanese factory (often with every minutely different grade even on the shop floor given a different title) according to his length of service. In return he is expected never to leave for a rival firm—at least not after he has reached maturity, although there has recently been some trek of men in their very early twenties from smaller firms to bigger ones. Because of this wage structure and training system, Japanese employers are extraordinarily unwilling to take on new workers over the age of 30. ("The unions would make us pay such workers according to their age," said one industrialist to your correspondent, "but new older workers would not have had ten years' training for the particular jobs we want.") The following figures tell their own story:

(1) School leavers have never had it so good. The 15- and 18-year-olds leaving school last year were faced by between two and three times as many jobs (admittedly not all as "regular workers") on offer as there were applicants. Big firms (those with more than 1,000 employees) managed to fill over 99 per cent of their vacancies for regular plant workers, but small firms (30 to 99 employees) could fill only 77 per cent. In

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with luxury, service and—

wheeow—speed!

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that of riding past its successive balance of payments crises (in 1953-54, 1957 and 1961) without losing its dynamic of growth—with more brilliant success than in any other country in the world.

The answer to the third question is that Japan's social structure and habits could not have been more appallingly devised to make a switch of resources out of the least productive sectors of the economy into the big growth industries more difficult. This is because of the system of lifetime employment and "no new regular jobs for old men" (old mean-

Easy Budgets . . .

JAPAN'S system of managing its economy has been to run what would be regarded in Britain as very expansionary budget policies, with large planned increases in government expenditure and sizeable reductions in personal taxation a regular feature of most recent years (see adjoining table); and to use monetary policy and rises in interest rates as the main restraining weapons, when and if any restraints are needed. This pattern has been widely misunderstood abroad, because of the barriers which economists (particularly government economists) raise in the way of understanding each others' language.

Most Japanese economists will worthily insist—and American economic commentators will generally approvingly report—that Japan has constantly balanced its annual estimates of budget expenditure and revenue ever since Mr Dodge laid down that balanced budget estimates were the right thing to have. But the balancing act is done in a very peculiar way.

Around the turn of every calendar year (and thus three or four months before the fiscal year begins on April 1st) everybody in Japan seems to enter into an annual guessing game to recommend what the target rate for growth in next year's gross national product should be. The ruling Liberal Democratic party, in solemn convention assembled, recommends that gross national product should grow at one rate; the Ministry of Finance recommends that it would be safer to aim to grow at a slightly lower rate; the Economic Planning Agency makes a final calculation, and the Cabinet splits the differences. Thus one reads in the newspapers that the Cabinet after a long session decided that the rate of growth should be 9.2 per cent in fiscal 1961 or 5.4 per cent in fiscal 1962.

This apparently absurd guessing game, expressed to a precise point of decimals, has a genuine economic importance. For every 0.1 per cent of the agreed target rate for growth in national income the Japanese reckon that they can expect a stated amount of extra tax revenue on the basis of existing tax rates. Thus with a target growth rate of 5.4 per cent this fiscal year, they reckoned on nearly £500 million of extra revenue; and by the rules of the budget balancing act precisely that sum—together with the surplus of tax revenue carried over from the previous year—is then assumed to be available for deliberate increases in government expenditure or for new tax reliefs.

ing anybody over 35) described in a feature on the previous page. This strange employment system explains why Japanese industrialists genuinely claim that they too have been operating in conditions of labour shortage and "over-the-brim-full employment." It makes Japan's achievements in securing an average of over 9 per cent of expansion each year all the more remarkable—and its method of running its economy to achieve this all the more worth studying in the west. It is to these positive lessons of Japan's economic experiment that the next article will turn.

The remarkable feature of the game, from the reflationist's point of view, is that the larger the target figure for growth which the planners-cum-bargainers eventually decide upon—and the bigger the growth in production in the preceding year (i.e., the nearer the economy has been running to capacity)—the bigger the tax reliefs and deliberate increases in govern-

JAPAN'S DECADE OF TAX RELIEFS
(Billions of Yen, which virtually equal millions of pounds.)

Fiscal Year	Current Balance of Payments Deficit (—) or Surplus (+)*	Value of Tax Relief in That Year's Budget		Growth in Real GNP %
		On Personal Income Tax	On all Taxes	
1951	+118	61	113	+13.5
1952	+112	113	90	+10.5
1953	— 69	77	124	+ 6.7
1954	+ 36	31	17	+ 3.9
1955	+177	53	66	+10.1
1956	+104	23	2	+ 8.2
1957	—137	110	62	+ 7.1
1958	+183	6	37	+ 3.7
1959	+121	23	10	+17.7
1960	+ 39	Nil	— 7	+13.2
1961	—388	56	75	+15.2*
1962		47	116	

* Calendar year.

ment expenditure which this system tells them it is orthodox for them to give away.

These reliefs, be it noted, are regarded as "orthodox" even in years when the balance of payments has run into large deficit. Indeed, if the gross national product has been rising particularly swiftly during a year of balance-of-payments crisis—which will usually be the case since Japanese balance of payments troubles are generally of the import boomu (Japanese-English for boom) type—it is practically certain that the uncovenanted surplus of tax revenue to be carried over into the next year, and probable that the rise in national income to be counted on for the next year as a whole, will be correspondingly high also. Under the rules of the game, this makes it "orthodox" to make the new year's tax relief or deliberate increase in government expenditure particularly large. Thus in the middle of the balance of payments crisis of 1957 (while Japan's international exchange reserves were dropping sharply) the income tax levied on the average

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lower middle class and upper working class salary was literally cut in half. During this last year's balance of payments crisis, Japanese taxes were reduced by about £116 million (at a time when Mr Selwyn Lloyd, in his July and April budgets combined, was raising British taxes by over £200 million); and this Japanese cut of £116 million, reported the *Oriental Economist* truthfully, aroused "general public complaint of a conservative tax relief."

IN these circumstances it may seem a bit odd that the Japanese economy ever slows down at all, at any point short of raging inflation. But—at least until this last year, when living costs in the cities have suddenly bounded by 10 per cent—the policy has not in fact proved very inflationary (the urban consumer price index rose by some 20 per cent in Japan between 1953 and 1961, against a rise of just over 25 per cent in Britain, while Japan's export price index has actually fallen in this period). Moreover—again until last year—Japan has

managed to escape out of its balance of payments crises and periods of "overheating," back on to expansion again, much more quickly than Britain. The weapon used to counter periods of overheating has never been fiscal, but always monetary, policy.

The way in which a restrictive monetary policy is worked in Japan at times of balance of payments difficulty—once again, to the foreigner it seems a very peculiar way—will be discussed in the next article. But it is worth pausing here to consider the rationale of their system. It is customary in Britain to say that monetary policy cannot work as a restrictive device in times of balance of payments crisis if budgetary policy is pulling the opposite way. Experience in Japan goes a long way towards casting doubt on this belief—because their experience is that the two weapons work with quite different time intervals of effectiveness. Monetary policy works much the more quickly and much the more directly upon the balance of payments, both on capital account (by drawing in loanable funds, such as Euro-dollars, from abroad) and on current account (by

Living Standards

FOR the foreign observer who wants to assess living standards in modern Japan there is a constant clash between two apparently contradictory pieces of evidence. On the one hand, the bare income statistics suggest that this is still a very low income and cheap labour country indeed. The average earnings of the 21 million "regular workers" in non-agricultural industry and commerce are only just over £6 a week (which is still less than half of the average for all workers, male and female, in manufacturing industry in Britain).

On the other hand, the standards of consumption are visibly European rather than Asian; the Japanese are now as well-dressed as any people in the world (their figures of textile purchases per head confirm this); they have broken right through into the revolution of consumer durables; and each afternoon their wives throng the world's biggest and most crowded department stores in the large cities, where prices are not all that far below European levels, but where business goes humming along. More surprisingly still to this observer, the farmers in the fields along the main railway tracks, who a few years ago would have manhandled their own barrows to market, can be seen using modern and shiny power-driven equipment. The average farm household's income last year was estimated at £450 a year, admittedly with an average of 5.6 family members per farm, and with nearly half the income coming from earnings of some family member who has taken a job (sometimes wholtime, sometimes only at the farm's slack period) outside farming. Only in two respects—its working hours

and its housing standards—does Japan look Asian; the average Japanese works a 48-hour, five and a half day, week even in big industry (in small industry and distribution, considerably longer) before going home to live with his wife and children and probably his parents in two or three rooms. Because of this habit of clustering together, the average household in Tokyo last year had 4½ members (1½ of them earning), and an average cash income of £12 to £13 a week.

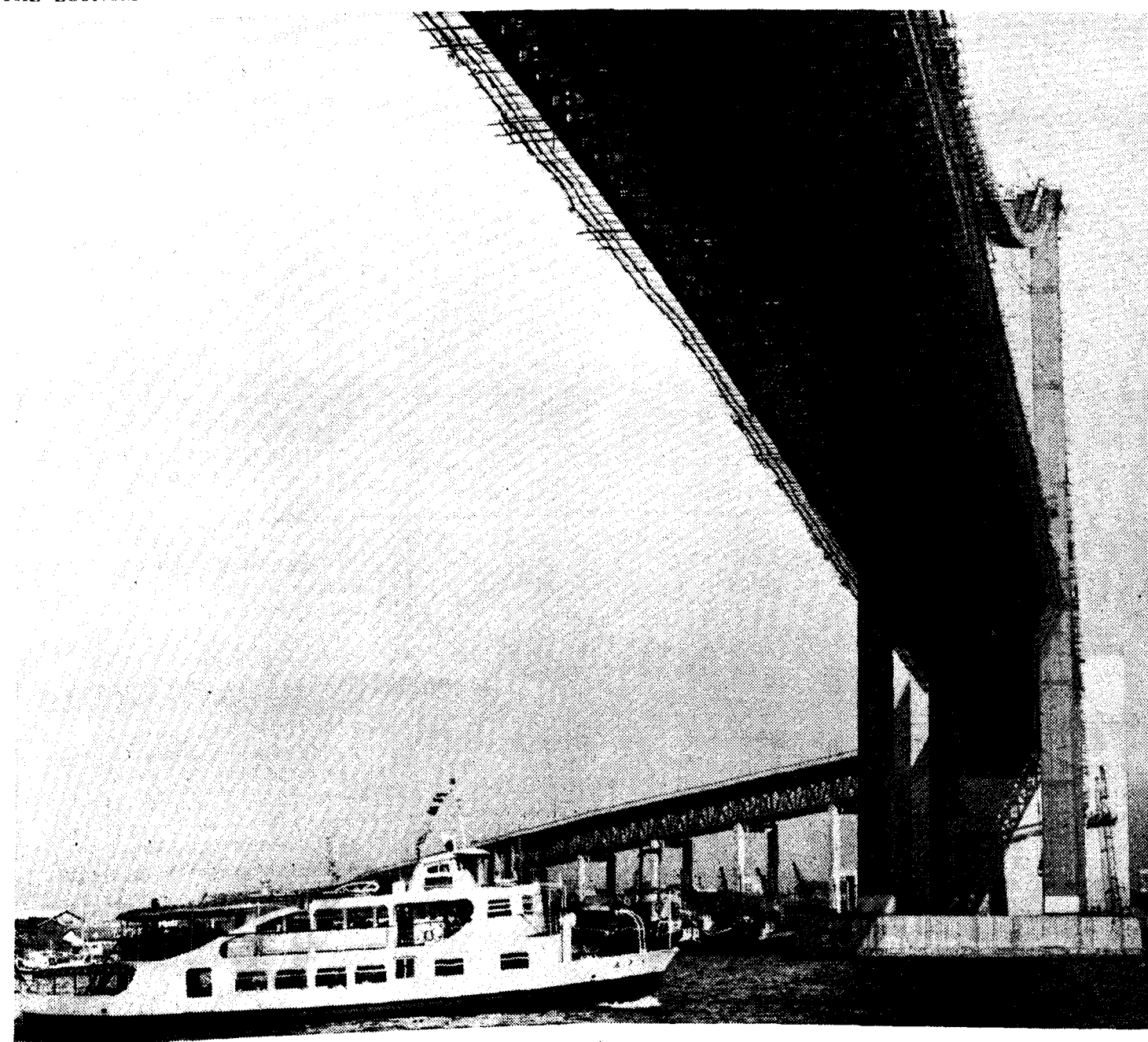
The explanations of the apparent paradox between income statistics and high consumption of luxury goods rest partly on the economies secured by this clustering together, and partly on the facts that:

(1) The bare figures of industrial wage and salary levels are misleading because Japan is the country *par excellence* of fringe benefits—and expense accounts. Apart from family allowances and the big cash bonuses at Christmas and midsummer (which are included in the household incomes and average wage figures mentioned above), these fringe benefits include payment of the employees' travel expenses to and from work, and (in the big firms) free accommodation for bachelor and spinster workers, subsidised houses for some married workers, and lavish sporting facilities and holiday rest homes. On average, these non-cash fringe benefits are said to cost employers more than £50 per worker per year; but one's guess is that this is an underestimate, because both sides regard the granting of certain fringe benefits as a matter of course.

(2) The statistics for average wages are depressed by the fact that the average woman's wage is only between a third and

a half of a man's, and that the average youngster in his early twenties—unless he draws family allowances from a big firm—is entitled to get less than half of the income of a man in his forties or fifties. (Usually his pay will go up by about 5 per cent a year.) This last point is a very important factor in keeping average wages low at the moment, because the average age of the workers in the big and new and highest-paying plants is at present very young indeed (about 25 in some cases). But even on the basis of present wage rates, it is clear that Japanese employers' wage bills are gradually going to be inflated quite considerably as (a) the average age of the working force grows older; as (b) women leave earlier to get married; and as (c) the retirement age for men is pushed beyond the present figure of 55 (which is a hangover from the days, only twelve years ago, when that was also the average age at death; it looks cruelly low, and is bitterly resented, now).

The system of pay-rising-by-seniority has some appalling effects on Japan's employment structure (the way in which it makes Japanese employers eager to recruit their new labour from school leavers only is discussed in "Jobs for a Lifetime," on an earlier page). But it also means that the workers' pay reaches its height just when what ought to be his family responsibilities reach their height too. The relatively low wages for teenagers and high wages for teenagers' fathers, combined with the great importance attached to educational attainments in getting one's first foot on the ladder of what is to be one's lifetime job, help to explain the fact that 60 per cent of Japanese children now stay on at school past the permissible leaving age of 15.



HOW A NATION GROWS

Ocean-spanning bridge creates new industrial complex

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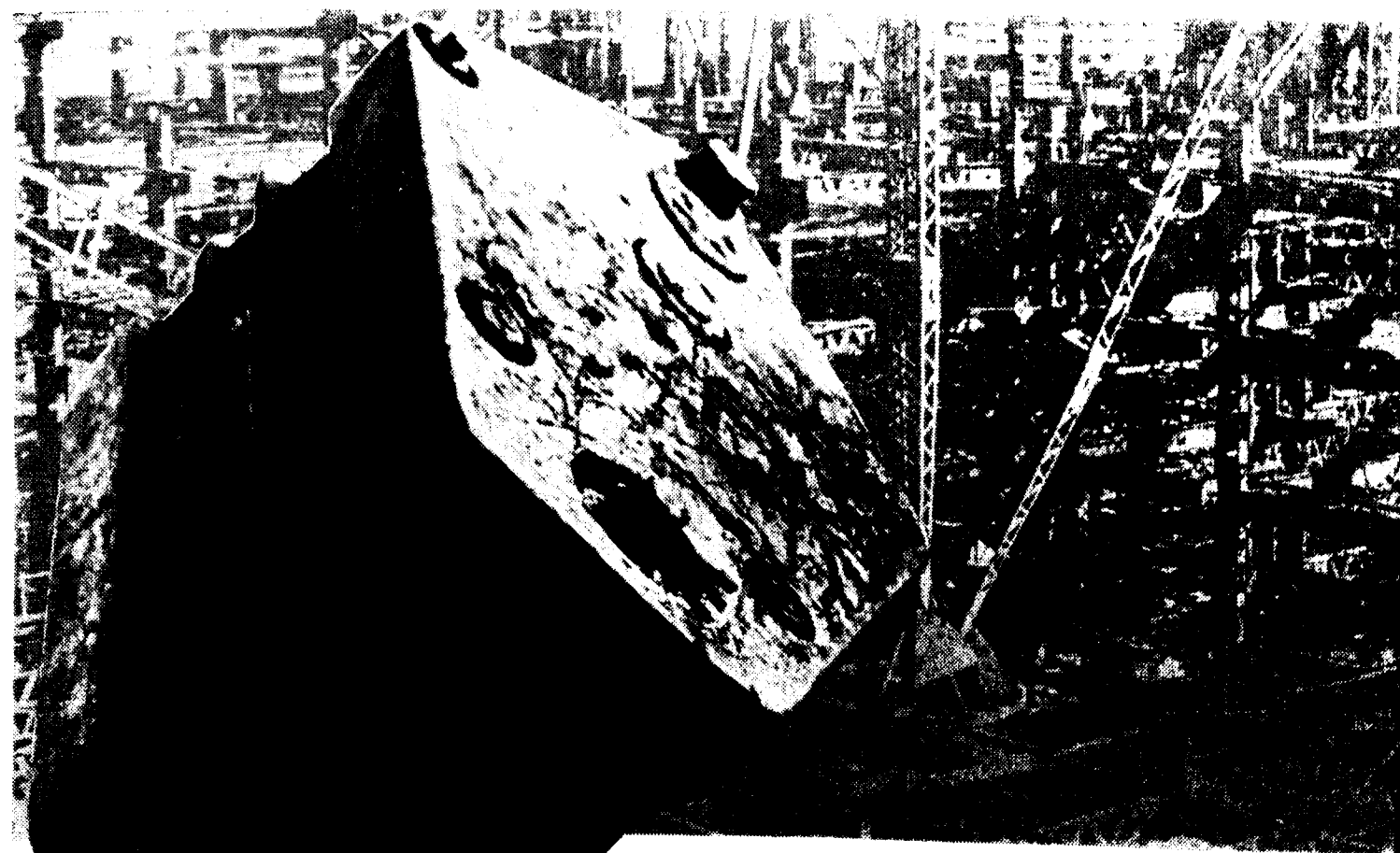
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cutting down imports). By contrast, restriction of demand by higher tax rates works on the balance of payments only after a time lag; and the Japanese say that at times of balance of payments trouble the restriction of demand and imports after a time lag is likely to be the precise reverse of what they want.

Japan's main imports are (like Britain's) raw materials and (less like Britain's) machinery. Both of these forms of imports tend to be highly cyclical (the Japanese recognise, which the British do not always do, that a rush of imports during the period of a restocking or investment boom is likely to be followed by a period of natural slowing down on the reverse arm of the cycle); and both are bought almost wholly on business account. The Japanese reckon that a change in interest rates can alter business spending very quickly. No doubt this swift effect is partly due to the peculiar capital composition of Japanese business enterprises (whose loan capital, on which interest has to be paid, constitutes about 70 per cent of aggregate capital). But one suspects that even in countries like Britain a sharp rise in Bank rate can begin to affect businesses' inventory policies within a fairly short period, while changes in tax rates work much more slowly than Bank rate, at least as a restraining device; when Mr Selwyn Lloyd increases the fuel oil tax, for example, there may be some small initial effect on total spending, but a main effect will be to reduce the number of people who would otherwise be using oil for energy purposes anything from six months to three years hence.

. . . But Tight Money

THE monetary policy of the Bank of Japan provides a fascinating study for the visiting foreign economist, like almost everything else in this land. It is very difficult to decide whether the policy's undoubted effectiveness has been the result of the Bank's extraordinary success in making the brilliant best of a bad job, or whether the bad job itself (as represented by the highly unorthodox nature of the Japanese commercial banking system) has paradoxically made monetary control very much easier. For various historical reasons (of which the failure of the cheque system to develop quickly under Japanese conditions is one) commercial banking business in Japan is profitable only if the big city banks operate at levels of illiquidity that would drive an English or American banker into a state of permanent neurosis. When window dressing (which is considerable) is removed, the city banks' real cash ratio against deposits is only about 2 or 3 per cent, and they hold virtually no other genuinely liquid assets at all (compare the British commercial banks' conventional liquidity ratio of 30 per cent). The other 97 or 98 per cent of their deposited money is out on loan, without many of the usual conventional bankers' distinctions about lending only for short term requirements; a very large part of Japan's massive investment boom in fixed capital equipment has been financed by commercial bank loans.

The result of this "overloan position" is that the city banks periodically find themselves in a desperate need to raise liquid funds from somewhere, either in order to meet emergencies

or else simply in order to increase their lending further. They can do this in two ways. They can borrow some emergency funds from each other (or from rural and other savings institutions) on the so-called call loan market, interest rates on which can sometimes reach fantastic heights; at one stage during the last balance of payments crisis and credit squeeze call money was being borrowed by the big city banks at over 20 per cent. The other source, nominally as a lender of last

Most British policy-makers would presumably agree that usually they do not really know what they will want demand to be doing more than six months or so ahead. The best Japanese planners, by contrast, will say that they do know what they want demand to be doing in the long term; they want it, and production, to be rising by 7 or 8 per cent a year (or whatever is the figure consistent with furtherance of their current long-term plan). It therefore seems logical to them to use fiscal policy as an instrument for steadily increasing long-term demand by something approaching the long-term target figure, while using monetary policy as the weapon to control cyclical fluctuations in the balance of payments during that forward march.

Because the system on which the Japanese budget is drawn up seems so very peculiar—because it appears to encourage inflationary budgets when inflation is already in progress, and could theoretically signal that Japan should introduce a deflationary budget when a recession has cut down tax receipts—it takes some time for the visitor to Tokyo to recognise that the Japanese method of organising economic policy is as sophisticated as it is. But by the end of his stay your correspondent was convinced that the degree of sophistication on these matters in Japan—albeit often behind a screen of flummery words designed to show that they were all very simple and conventional chaps with a lot to learn from the West—is really very high indeed. It also happens to have been a sophistication that works.



Tokyo's business centre: under banker's orders

JAPAN

resort but really as the main engine of capital creation during a boom, is the Bank of Japan. The Bank's process of credit creation went forward particularly heavily during the early years of Japanese recovery, so that Japanese bankers themselves admitted—and visiting American bankers reported back with horror—that “the commercial banks in the early nineteen-fifties became merely a channel through which the central bank fed industry with investment funds.” It was this “overloan” position that Mr Dodge referred to with indignation when he castigated (as mentioned in our first article) the illusion “that granting progressively larger amounts of commercial bank credit for capital purposes can be substituted for the normal processes of capital accumulation.”

Nevertheless the fact remains that it was substituted, and that it has worked. Looking round the shining new factories of Japan—a country that actually had the greater part of its previous industrial capacity destroyed in the war of only seventeen years ago—nobody can doubt that. Moreover, paradoxical though this may seem, the consequence of the central bank's unorthodoxy during this period has been its rebirth as one of the most powerful central banking organisations in the world. Because the commercial bankers have to come begging to it when they want new funds to increase their lending further, the entire credit structure of Japan now seems to the visiting foreigner to lie snugly under the Bank of Japan's control.

THE Bank itself would deny this; its position of absolute power, as lender of last resort, over the credit situation does sometimes mean that it cannot use that power to quite the extent that its exasperation with some aspects of the *boomu* might make it wish to do. It cannot very well turn away big banks who ask it for funds if the result would be to cause a massive financial crash of Overend Gurney proportions. But in banking, as in international diplomacy, an authority that possesses an unusable thermonuclear deterrent does not necessarily thereby become less able than an unarmed country to make its wishes felt.

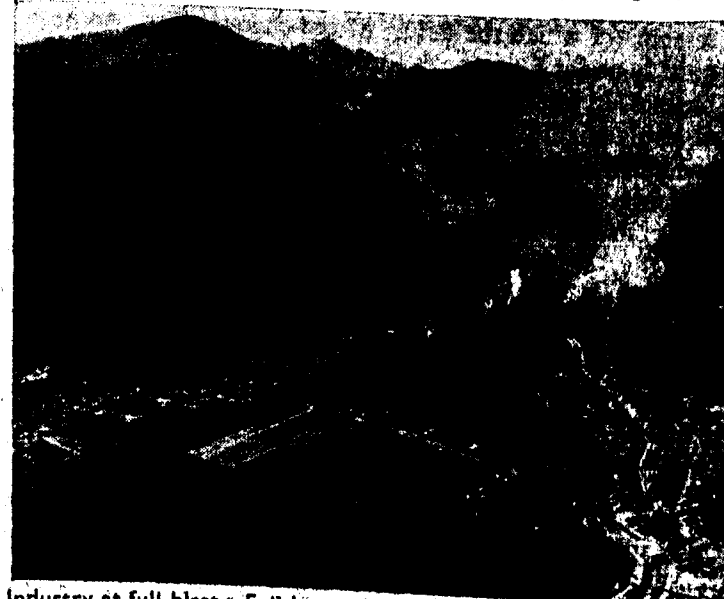
The control by the Bank of Japan is exercised in various ways. The one “orthodox” weapon is Bank rate, this summer at 7.3 per cent, which it is certainly able to make effective; most of Japan's other (very high) interest rates are tied to it, and Japanese businesses' heavy dependence on borrowing means that they are very susceptible to changes in borrowing rates. A second and more controversial weapon is the so-called “window operation.” The Bank of Japan holds regular consultations with the commercial banks, reviews the likely trend of advances of each bank for perhaps a month ahead, and warns individual banks (or, at times of balance of payments crises, warns all big city banks) that they should please start to restrain their advances; if necessary it will even suggest an “overall loan level” for the big banks as a whole. Finally, although the Bank will not generally in the last resort refuse to lend to any big bank, it does levy penalty rates on what it regards as its ultimate margin of less desirable loans to the commercial banks. As part of the same process the Bank of Japan will offer favourable discount rates on particular types of lending paper—especially, to the annoyance of competing British exporters, it will help indirectly to subsidise Japanese exports in this way.

The commercial banks in turn also have a schedule of

penalty rates which they levy on those who borrow from them, according to the status of the borrower concerned. And when they have to cut back lending, they have no hesitation about putting pressure on borrowers whose position they regard as unsound. The small local banks, who lend mostly to smaller local firms, will do the same thing when a credit squeeze makes it more profitable for them to use some of their funds in other ways (perhaps, for example, to lend call money to the big city banks at very high interest rates). The consequence is that tight money during credit squeezes can lead to bankruptcies of small firms in Japan. The figures for dishonoured bills (52,470 in January) are one economic indicator that is regularly watched. So is the number of bankruptcies (firms with debts exceeding £10,000)—which was 202 in January, close to the last peak of July, 1957. But at the same time as reporting this, the Japanese press also reported that the Government seemed to be more intent than in previous crises to temper the wind to the smaller shorn lambs.

The more closely one studies the history of the Japanese economy in the last decade, the more one becomes convinced that success in economic policy nowadays springs from a policy of favouring the forward-looking and most prospering and efficient firms, and beating the less efficient ones into the ground. The fact that control through monetary policy in Japan has—until this last year—generally worked in this direction may not be a sign of great social and humanitarian virtue (see “After the Zaibatsu,” overleaf); but it has been of enormous economic utility. Your correspondent became convinced that there are two important lessons for Britain here.

First, the general British method, during the crises of the last decade, of restraining demand by tough budgets and tax regulators has automatically laid its main restraining power on the growth industries, while the opposite Japanese method has worked the other way round. Growth industries, by definition, are those that will be given the biggest impetus to expand their production when the next few hundred million pounds' worth of marginal demand is pumped into the economy; so, of course, they are also those that suffer most severely when the next few hundred million pounds' worth of marginal demand is siphoned out of the economy by means of a restrictive budget. By contrast, the Japanese method of pumping in extra demand through stimulatory budgets, and



Industry at full blast: Fuji iron and steel works at Kamashi

THE ECONOMIST SEPTEMBER 1, 1962

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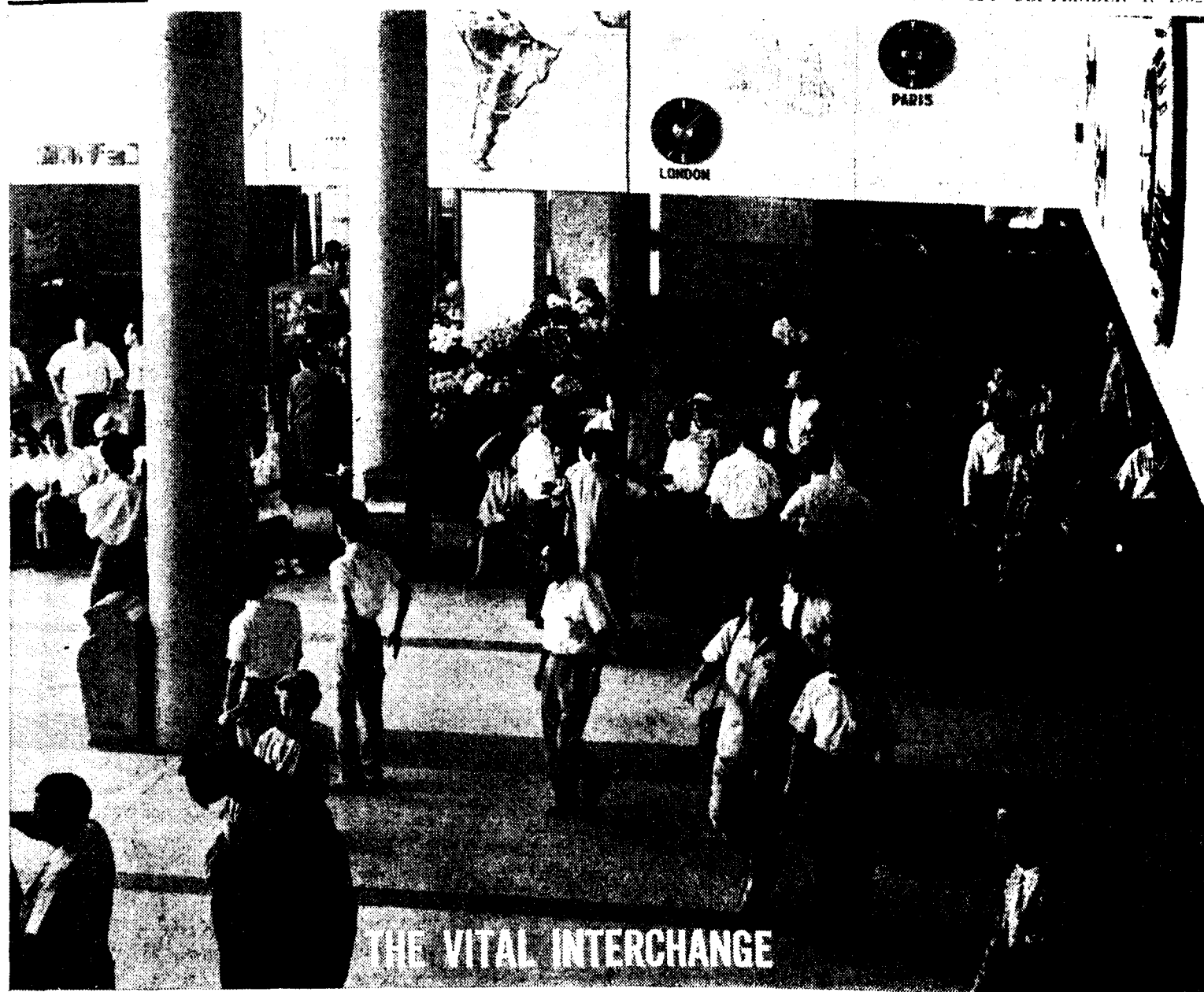
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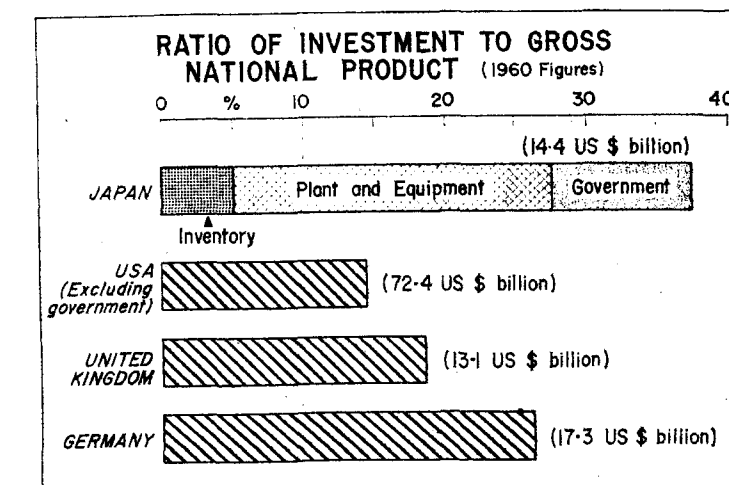
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then using monetary policy and high interest rates as a rationing device, has caused restriction to impinge mainly on those whom the banks regard as the worst business risks. The rationed capital has become available only to those who can use it most profitably—except when political considerations intervene and gum the process up.

Secondly, the British have got used to saying that a policy of expansionary budgets and high interest rates will penalise investment at the expense of stimulating consumption. Japanese experience surely proves this to be nonsense. Japan (where industrial borrowing in recent years has cost about 10 per cent) has recently been devoting nearly 40 per cent of its gross national product to total investment. Britain, on the same basis of comparison, has devoted less than 20 per cent. The truth is that it is a spirit of dynamism among thrusting growth industries that nowadays serves to impel an economy along the high road of expanding investment. A policy of stimulatory budgets provides the oats that beckon the horse forward, while a policy of high interest rates provides the reins to guide the horse and also (at least in Japan) helps to provide the high savings (and, sometimes, at appropriate moments of the trade cycle, also the temporary increase

of borrowing from abroad) which make the continuance of heavy investment possible. A policy of low interest rates relaxes the reins so that the horse will find it easier to rush forward faster if it wishes, but this is not much use when, because of a lack of expansion of marginal demand, the horse itself is standing still.



After the Zaibatsu

THE Zaibatsu were the rich families of prewar Japan (Mitsui, Mitsubishi, Sumitomo, etc) who owned the great industrial empires, sometimes delegating the job of management to hired managers, but sometimes actively controlling the boards of directors themselves. After the war the Americans, with reforming zeal, split up the firms in these mass empires into individual entities; but this was like grappling with a jellyfish, for the habit of cohesion has remained. It is secured now by interlocking directorships and high-level executive consultation among the firms that used to belong to the old groups; by inter-company shareholdings among group members; and by the fact that one of the big city banks—several of which are successors of the old Zaibatsu banks—is likely to hold a central position in each group. This last point is important because of the major role which the banks still play in financing new fixed investment in Japan—even though direct sales of shares to the public are growing fast (and are helped on their way by security selling departments in the main by ordinary shopping streets, which operate in the way that betting shops are not allowed to operate in England, with the latest stock prices shown on television screens, and a commentator jabbering away excitedly as prices change).

When some new sort of industry (say, petrochemicals) becomes the rage in Japan, the group around one bank will set up a firm to take part in it; then the group

around another big bank will seek to set up a rival company, almost as a matter of face. This has provided the country with a real, if peculiar, kind of competition in constant modernisation. The big firms will often tell you that this is "excessive competition" and that "the government ought to do something about it" (meaning that the government ought to step in and stop other groups setting up rival firms to themselves). But one suspects that it is, in fact, a kind of competition from which Japan has made great net gains in recent years.

Inevitably, the system means that the big firms which have close connections with the banking groups generally have an advantage in raising funds. The rates which the smaller firms have to pay are often considerably higher even than the 10 per cent or so nominally charged; for example, a bank may say that the borrower must re-deposit with it (at an interest rate well below the lending rate) part of the money nominally loaned, thus greatly increasing the effective interest rate really charged. Most of the small firms work mainly as sub-contractors to the big ones. One might therefore suppose that the big firms would hand on considerable credit to them. But surprisingly often things work in the reverse direction. During a credit squeeze the big firms may pass on the effects of a capital shortage by paying their sub-contractors in, say, three-months promissory notes, which then have to be privately discounted (at rates, this year, of up to 25 per cent

per annum) by the small firm in the market.

No doubt the big firms are unlikely to allow bankruptcy to overtake any sub-contractor who is really efficient and useful to them. They are more likely to want to see bankruptcy overtake the less efficient sub-contractors, or (this, of course, is the unhealthy part of the system) small firms which compete with them by putting products directly on the market at a cut price. This last sort of squelching of competition, however, is probably more usual in the older trades like textiles than in the newer trades like engineering; in the latter, the small firms cannot generally make completed products anyway, but act as sub-contractors for the big ones.

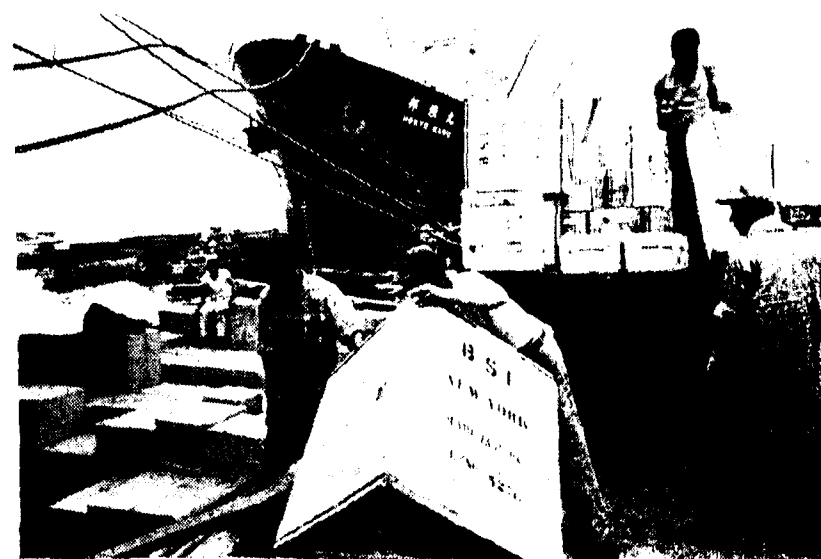
As has been argued above, your correspondent came to the unorthodox view that this system—by which credit squeezes have tended to fall more harshly on the less efficient firms—has probably been of real if cruel advantage to the Japanese economy as a whole. But it is natural that many ordinary people—and even more small businessmen and politicians who depend on their votes—do not see things that way. In the present (1962) credit squeeze, there have been signs that the authorities have been trying to put more of the strain of the squeeze on the big fellows, and less on the small, compared with what happened in the squeezes of 1954 and 1957; this summer, for example, when the period of tax collections fell due, the government was deliberately pumping out fairly large special loans through the various special institutions which lend directly to smaller businesses. Socially, this is understandable; economically, it might be a mistake.

The Planning of Exports

It would be absurd to pretend that the success of Japanese governments' economic policies has been due to the formula explained in the last two articles—easy budgets, but tight money—alone. But that almost accidental formula has provided the right elbow room for a part of Japan's dynamic that really has been fundamental; namely, the nation's economic tendency to look constantly ahead in emulation.

In part, of course, this springs from Japan's advantage in not having been historically the front runner in the technological race; in part, it springs from the very useful national urge to be always gaining face. If "advanced countries" abroad have a competitive petrochemical industry—and Japan has not—then everybody in the Japanese government, and everybody in each big business group around each of the big banks, wants Japan (and for that matter his own banking group) to have a successful petrochemical industry too. Every big firm has a planning division which assiduously studies the filing of new patents and the introduction of new industrial techniques abroad; when successful ones appear, Japanese industrialists will immediately enter into negotiations to be allowed to operate the same techniques, under licence—and nowadays often with considerable locally-added improvements—in Japan. This technological élan seems to be far more energetic than in British industry, which has too often seemed to regard the "copying" under licence of American or other foreign techniques as rather *infra dig*.

The same tendency for the Japanese to be constantly looking ahead in emulation permeates their government machine. The Japanese will always tell you, especially if they assume you to be an American, that theirs is not a planned economy. In the socialist sense of the term it is not. But Japan, even more than France, is the land of indicative economic planning à l'outrance. One has only to read the annual economic survey published by its Economic Planning Agency—a colossal tome of 500 magazine-size pages—to appreciate that. One has also only to look into the economics and statistics departments of any of its government departments or agencies: huge factory-like rooms, with economic graduates sitting row upon row, all hammering out on their adding machines the indicative economic statistics of the new Japan. Sometimes this estimating goes to what, to a Briton, seems more than slightly comical extremes: it is a bit odd to read in the press that the Economic Planning Agency has set a "target figure" for



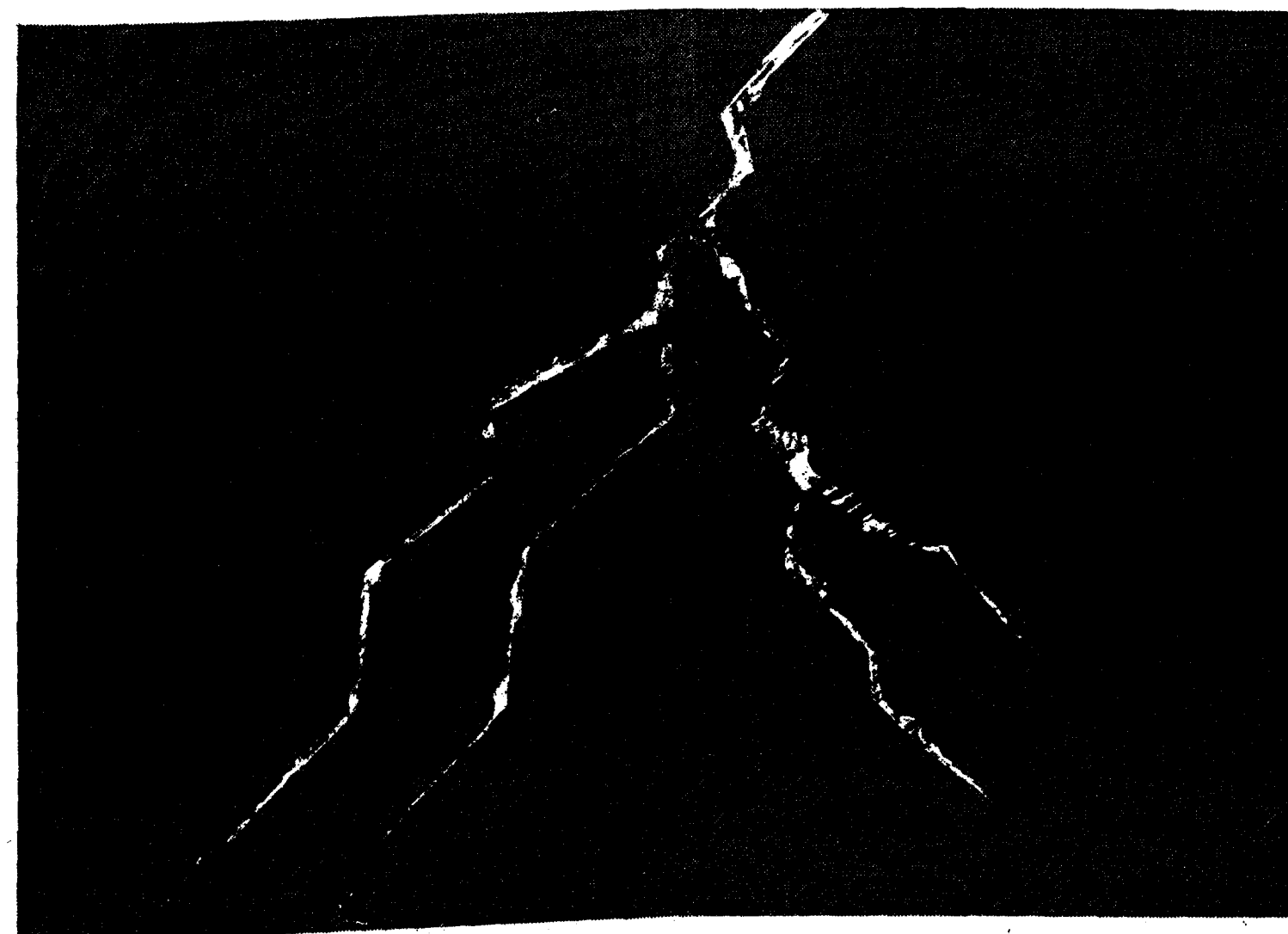
a rise of 2.8 per cent in the cost of living, or 14.6 per cent in exports, for the year ahead. But the attitude engendered by all this is important, because it is often precisely the opposite of that which rules in Britain. Nowhere can this be seen more startlingly than in Japan's mode of planning its exports, a field in which the Japanese will at first tell one most insistently that they do not do any positive planning at all.

JAPAN knows exactly where it wants to go in its future export drive. It wants to go into what it calls "heavy and chemical industries' products (totals of machinery, metals, metal products and chemical goods)"—hereafter called heavy goods for short. In 1953, when Japan started its present export advance, it had 50.2 per cent of its exports in light industrial goods (of which three-quarters were textiles) and 35.7 per cent in heavy goods; by 1959 it had switched to 47 per cent light (going down) and 42 per cent heavy (going up). Its export structure, Japanese planners will point out, has therefore in this decade been broadly similar to the stage that had been reached by most West European countries in about 1928. Since 1928, every West European country has gradually switched into the more "modern structure" of putting much less emphasis on "light industrial" exports (of which textiles have almost always been the main element) and much greater emphasis on exporting of heavy industrial goods. As witness the table below:

PERCENTAGE OF TOTAL EXPORTS

	Light Industrial		Heavy Industrial	
	1928	1959	1928	1959
Britain	50.7	18.3	30.5	66.1
Switzerland	54.3	25.1	27.6	66.7
Belgium	42.9	26.9	33.2	55.9
France	44.1	21.9	22.6	52.5
Italy	37.5	26.5	16.5	43.0

Most successfully of all Germany had reached 41.6 per cent light and 26.2 per cent heavy even by 1900; by 1959 it had reached 14.7 per cent light and 73.8 per cent heavy, a slightly "more modern proportion" (in terms of industrial exports only) even than the United States.



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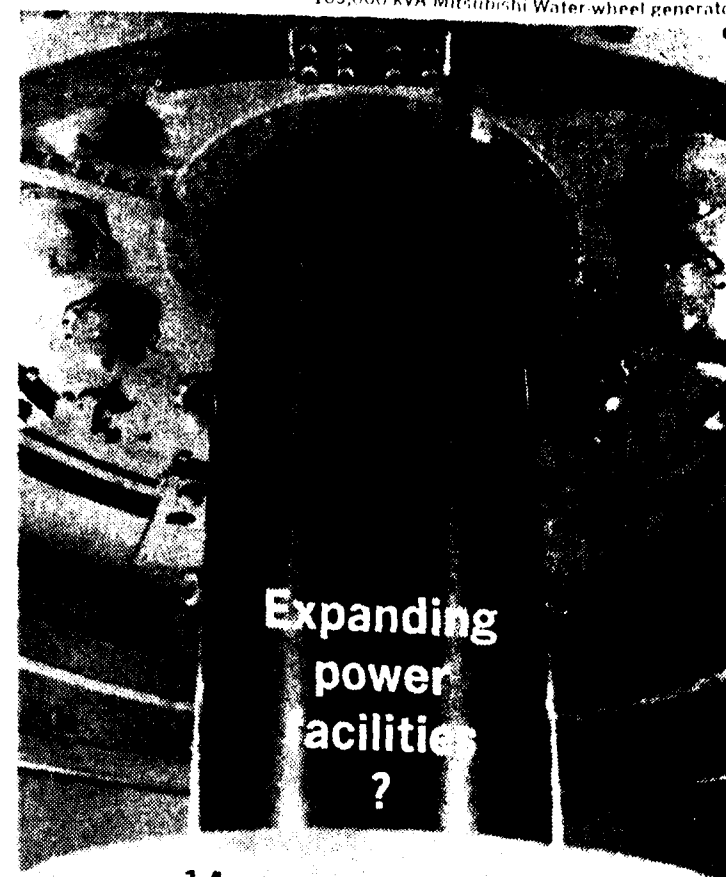


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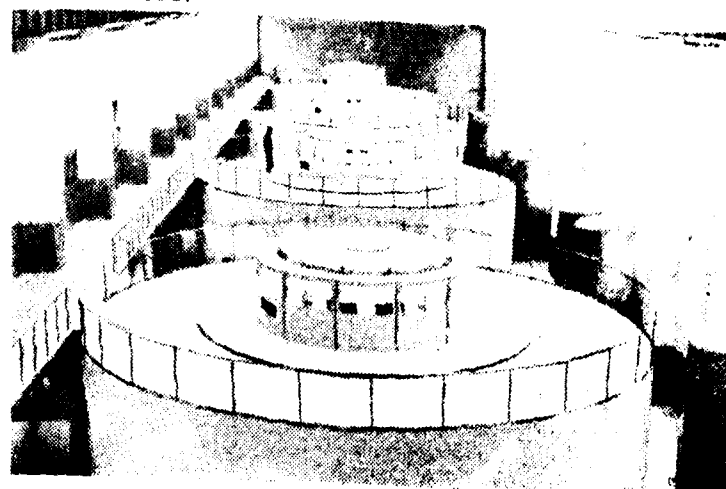
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Japan's official Foreign Trade White Paper for last year was quite brutal in drawing attention to the way in which Germany made a quicker and earlier switch into heavy industrial exports than Britain:

The (different) speed of adjustment of the export structure of these two countries greatly affected later developments... in particular it is well known that this became an important factor in leading the British economy into a long-term stagnation. Special attention must be given to this point on the part of Japan, which still depends greatly on textile products.

And one can be quite sure that special attention will be paid to it, for the Japanese are convinced that in the second half of this century the underdeveloped countries will sweep into the export markets for light industrial products, and not only for natural textiles. When your correspondent asked one Japanese which newly developing country he most feared, the answer was unexpected: "In thirty years perhaps all of them, with China of course hanging over all; but in the next few years I think one main challenger may be Spain." Others that were mentioned were Formosa and Hongkong.

THIS idea of encouraging development of to-morrow's export industries, rather than concentrating entirely on today's possibly evanescent ones, is a deliberate feature of Japan's short-term policies, and not just one of its vague long-term aspirations. As one example of the statistical and planning techniques employed: income elasticities of demand for various items in the main markets of the world are studied with loving care, and this trend of world demand is then checked against what is called Japan's "specialisation index." (This term can best be explained by an example: if 5 per cent of total world trade is in chemical goods and 5 per cent of Japan's exports are chemicals too, then Japan's specialisation index for chemical goods would be one.) When world demand index for chemical goods rises heavily for some particular item, Japan's industrial planners get very worried if Japan's "specialisation index"—and thus share of world exports—for that item is not concurrently going up too. On the other hand, if Japan's specialisation index is already high for something for which world demand is not rising, the planners are not at all sorry to see that industry—even if it is currently a good exporter, such as (e.g.) tractors are for Britain—gradually dwindle.

Thus Japan's Economic Survey for 1959-60 noted with satisfaction that in a wide range of articles for which world demand was then rising, Japan's specialisation index had increased also. These booming exports included most forms of machinery, other metal goods (as distinct from metals themselves), made-up clothing (as distinct from textile piece goods), vessels, automobiles (where admittedly Japan's specialisation index is still well below unity), and some forms of plywood and wooden products. On the other hand, the survey noted with almost equal satisfaction:

Among the items on which Japan is beating a retreat with regard to specialisation are those goods which are manufactured through comparatively simple processes and are in poor demand in the yarn and cotton fabrics hitherto exported mainly to underdeveloped countries. They also include chemical fertiliser, pottery, glass products and bicycles.

But it added as a warning note: Declines in specialisation indices are also registered for many other goods. This is quite noteworthy, for the chemical products of the world market.

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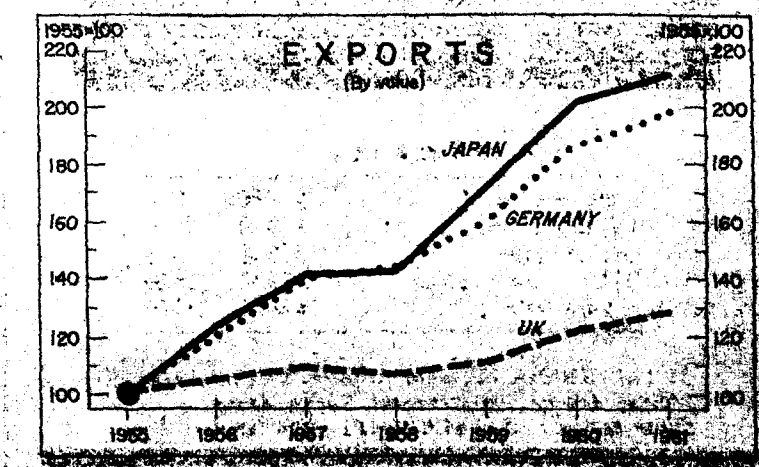
world's demands for chemical products and metals are on the upgrade.

Following upon this sort of remark, government measures for encouraging greater output of the chemical products indicated as desirable will be stepped up.

In part, these government measures may take the form of winks and nods passed along Japan's extensive "old boy" network. (As Sir Norman Kipping and Mr J. R. M. Whitehorn put it, perhaps with rather polite understatement, in their excellent report on Japan to the Federation of British Industries last year: "The very intimate and manifold connections at all levels between government and industry are a most important factor in the attitudes and policies of both.") But the government also has some powerful positive strings to its bow. They can include the exemption from corporation tax on profits from a new product for an initial period, extraordinary depreciation allowances (which can sometimes be very extraordinary indeed), readier permission to firms in a growth industry to import technological know-how, as well as very tight protection against foreign imports while the infant industry is being built up. And, as a most important point: if domestic demand for these industries' products grows in the meanwhile, thus giving them further encouragement to expand, that will be regarded as the happiest development of all.

THIS last remark leads into another vital difference between official attitudes in Britain and Japan. In Britain the government almost automatically assumes that any "excessive" increase in domestic demand necessarily causes exports to shrink, because the extra demand sucks goods into the home market; British officialdom discounts the argument of some industrialists that increases in home demand help exports by enabling manufacturers to utilise to the full the economies of modern mass production techniques. In Japan—instead of assuming that the industrialists' argument is either always wrong or always right—they set their adding machines to work to find when and whether it has proved true in each particular case. And from this springs calculation of what Japanese planners have called "the export and industrial estrangement coefficient" in various parts of their economy—another term that economists in Britain have never learned to use.

In 1950, for example, machinery accounted for 16.2 per cent of Japan's industrial output but only 10.5 per cent of its industrial exports; so machinery was calculated to have an export estrangement coefficient of 10.5 divided by 16.2,



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which equals 0.65. By 1959, by contrast, output and exports of machinery happened to have risen to a level where they accounted (coincidentally) for exactly 28.9 per cent of both Japan's industrial output and its industrial exports, so by then machinery had an estrangement coefficient of one. This, in other words, was one group in which exports had proved to go up more than proportionately as domestic demand had expanded. And the blunt fact is that the same trend has been observed in Japan in most of the "modern" industries on which increases in domestic demand within an expanding economy have recently been most heavily concentrated.

This would not be true in all countries with different schedules of marginal domestic demand; for example, in America marginal demand in an expanding society might well be mainly concentrated on services, which would often use up labour in forms of employment where they could not add to exports at all. But the situation is different when marginal domestic demand is concentrated on industries with a high rate of capital-intensiveness, in which productivity therefore increases sharply with mass production and in which it has been proved (by those adding machines again) that qualitative improvements and investments in modernisation go forward most swiftly in time of high prosperity for the industries concerned (so that a country must be considered to be particularly well placed to follow expansionary policies when marginal domestic demand falls heavily upon industries with great scope for complicated technological advance).

One suspects that Britain, like Japan, has in recent years been in this potentially happy position where re-expansionary policies would have paid off in aiding the export industries of the future to grow to a more efficient size; at any rate it would be nice if the National Economic Development Council or somebody would use its adding machines to try to find out.

It is easy to dismiss all this talk of estrangement coefficients and specialisation indices as highbrow stuff which only the academic planners (and perhaps even only a small minority of them) understand and make up for the purposes of their absurdly-detailed forward-looking "plans." But the fact is that this sort of economic temperature-testing has insensibly created an attitude towards problems of growth in Japan wholly different from that in Britain.

Your correspondent felt this most keenly at two types of interview during his tour of Japan. The first was when he checked up on the spot what has happened to British exports as a result of British governments' consistent policies of holding down British domestic consumers' (and investors') demand for new things, in order not to draw away resources

Can It Last?

THE question to ask now is whether, after Japan's last golden decade, the dynamic is going to last. There are four reasons for fearing that it might not do so. Three of them will be all too familiar to people with experience of Britain's economy in the last fifteen years; the other will be very unfamiliar indeed. The unfamiliar one, which we will

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from traditional export industries. The result has been that, as seen from a market like Japan, Britain's main exports now look very traditional indeed. The main things in which Britain ranked as the principal supplier to the Japanese market last year were whisky, sweets and other confectionery, and woollen fabrics (plus some other textiles). In machinery and other "modern" exports, America and Germany beat us right across the board. As the recent FBI report pointed out this "has perhaps contributed to a quite false picture that we are strong only in consumer goods." To put the matter much more bluntly, the vision of the average Japanese—and of other distant export customers—is that Britain today has become a non-developing country; filled no doubt with whisky stills, children's bon-bons, skilled at making up material from old sheep, and fabricating other quaintly old-fashioned things which the average Japanese probably regards as the products of our cottage industries; but not a dynamic country that is capable of producing anything expansive and new.

The second sort of shock came when one talked to Japanese economists themselves. It was terribly difficult to explain to intelligent Japanese that in Britain the industries for whose products demand rises most swiftly, during hire purchase or other booms, are often precisely the ones that the Government seeks discriminately to hold down; that British Chancellors do not seem to believe in the concept of domestic growth industries, but resolutely maintain that the only sound type of growth is that "based on and led by exports." The answer was apt to be something like:

That is most interesting. In an early stage of our development we too led our industrialisation by export industries such as textiles. But in the present stage of modernisation of our industrial structure I think the only industries in which we have seen export increases induce a production increment—instead of the other way round—are transistor radios and perhaps cameras. We do not all regard these industries as very soundly based because demand for them, especially transistors, may be saturated too soon. Export increases of all our other products have been induced mainly by expansion for the domestic market. But perhaps in your mature country the indices. . . .

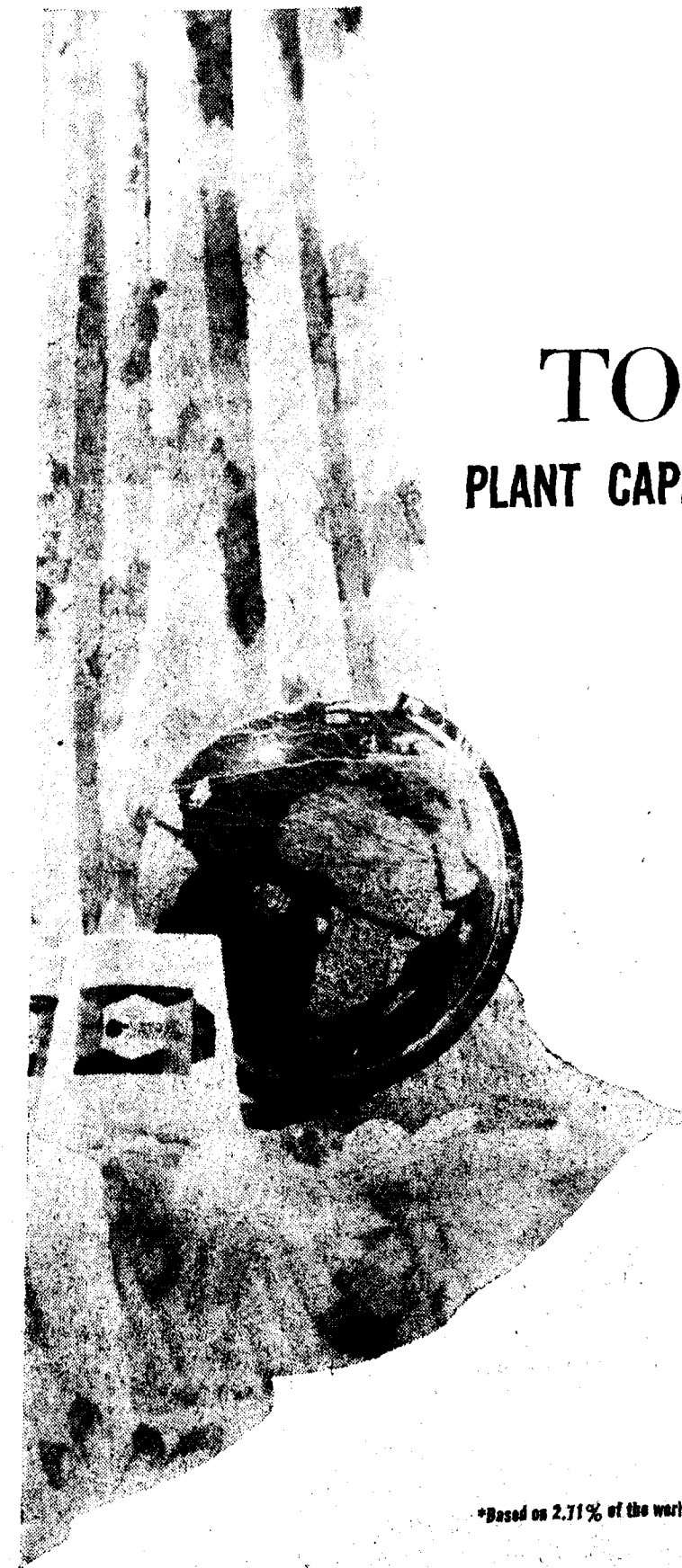
One had then to explain that British policy was not based on such complicated ideas as studies of the likely trends in specialisation indices and estrangement coefficients, but on what British ministers regard as the "commonsense" view that exports can go forward fast only if the domestic market is not too ravenous. The response one elicited by this sort of explanation was apt to be that peculiar Japanese ejaculation which sounds like the word "Ha" emitted from the top of the forehead. It is the world's politest—and in this case just possibly most deserved?—form of snort.

deal with first, is that Japan has in the recent past probably been devoting too much of its gross national product to investment instead of consumption.

Fixed investment in private industry has been very much the main growth element in Japan in recent years; last year it was actually four times as large as it had been even in

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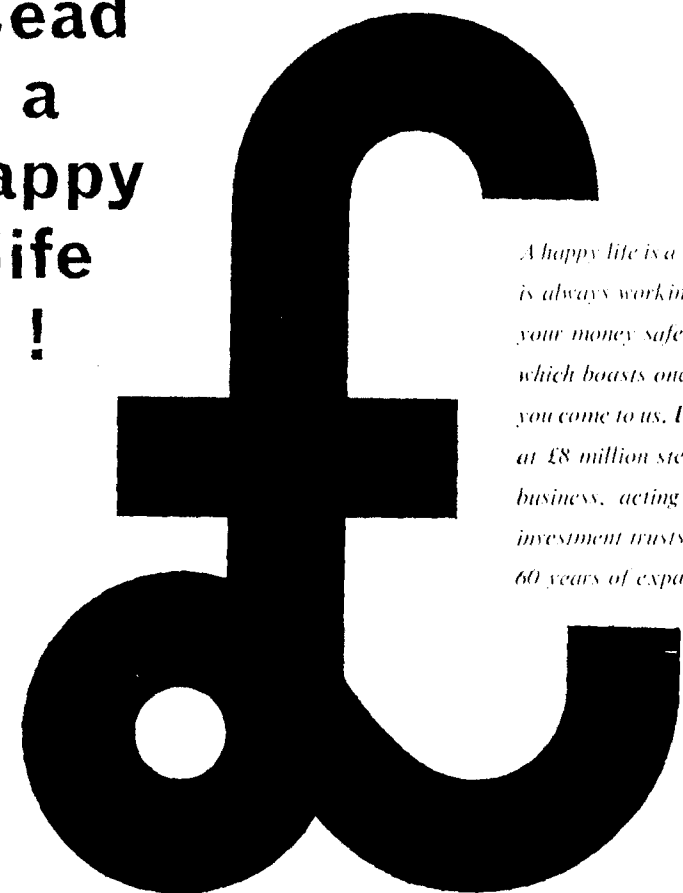
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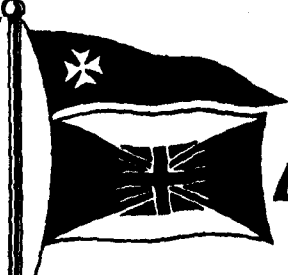
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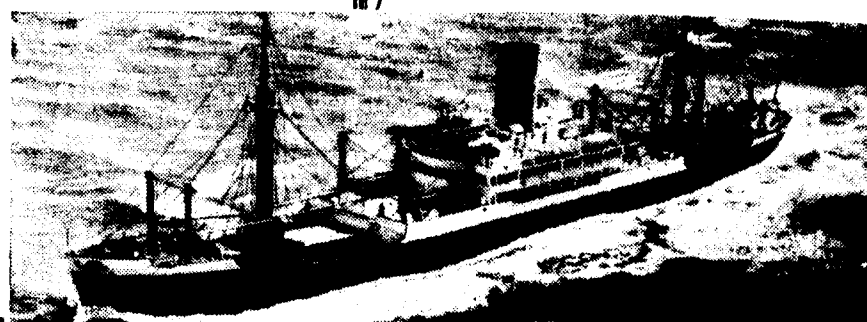
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1955. There have been several instabilities in this situation, not the least of which is that the investment boom has been feeding very largely upon itself; something like half of the investment that was going on in 1961 seemed itself to be investment in the investment goods industries. One cannot really believe that this will last. Some of the equipment installed last year must be beginning to look a bit unprofitable now, especially since total demand and production began to sag in the spring of this year following measures taken to deal with the temporary balance of payments deficit. One's own guess would be that, even after the tight money squeeze is relaxed, the new "natural" rate for total investment (including stocks) might prove to be, say, between 25 and 30 per cent of gross national product (which would still be a very high rate compared with most other countries) rather than the extraordinary 35 to 40 per cent that was being achieved last year.

If so, the questions will be: what is to take up the other 5 to 10 per cent of GNP, and what is to take over as the main dynamic element to lead the next stage of the advance? There are two main possibilities: an increase in public investment in amenities as private investment in industrial equipment falls off, and an increase in consumption. There should be plenty of scope for increases in both. In the field of public investment, Japan's roads, harbours, housing, and, for example, sewage system (this is still most definitely an affluent as well as an affluent society) cry out for very large new expenditure indeed. Although real spending by the average worker's household in Tokyo has more than doubled since 1951, consumption still takes a ridiculously low proportion of gross national product (only 52 per cent in 1960-61). But there are going to be problems in the way. One rather charming conversation which your correspondent had with a Japanese (not in an official position) is worth quoting. "To change from investment to consumption as you say," said the Japanese, "would mean switching from profits to wages. Politically very difficult." "Not in Britain" said your correspondent. "Ha! We swap governments, eh?" Alternatively, a deliberate attempt to take up slack by a still bigger programme of public works, or by introducing more of a welfare state, would mean running the budget into deliberate deficit. And although Japan's peculiar budgetary system has served it well by allowing the Ministry of Finance to introduce expansionary budgets during a period of continuing expansion, it would theoretically not make it easy to use the budget as a re-stimulatory force after a period of slowdown.

MOREOVER, there are some conservative people in Japan who are now advocating a policy of deliberate slowdown in the rate of expansion for other reasons. It will already have become apparent, from the whole tone of this survey, that your correspondent would regard such a policy of a deliberate slowdown as a bitterly disappointing mistake. Before going on to discuss the conservatives' counter arguments, one had better define what one means in saying this. One is not suggesting that Japan should or could aim to keep up annually the extraordinary rate of increase of over 15 per cent in the real national product which it achieved last year; that rate obviously did bring with it some element of undesirable in-

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flation, both in prices and imports. One is not even suggesting that Japan can expect for very long to stick to the average rate of more than 9 per cent of annual growth which it has achieved since 1951; if private investment in fixed capital equipment is to account for a rather smaller proportion of GNP in future, productive capacity will no longer go on growing by its recent massive amount. But one is suggesting that Japan should deliberately aim to keep demand rising at the rate which will allow its expanded (and expanding) capacity to be fully used.

The conservative Japanese who deny this put forward three reasons for objection. First, they say that Japan has now run into a shortage of labour "just like England," and they cite the figures for job openings and job applications by school leavers to prove this. The answer to this is that Japan cannot really be called short of labour so long as some even of its new young entrants into industry have to take jobs in firms where their productivity and eventual lifetime wages will still be only between 50 and 60 per cent of those that they would earn if expanding employment opportunities were continuously and progressively made available for them in the larger firms, and especially not so long as the retirement age for older men is at the ludicrously low level of 55. Even in Britain, it has been argued earlier in this survey, the right way to meet the so-called shortage of labour is not to keep on holding back the growth industries by restricting marginal demand, but to shake resources free from the less efficient industries and firms by introducing more competition and by using policies that are more deliberately designed to drive the weakest entities to the wall. In Japan it seems even more obviously desirable that the so-called "excess demand" for young labour should continue up to the point where (a) it gives more young



Japanese wife at home: but perhaps her only room

men the chance to take up jobs in the modern and efficient industries, even if this means that they will go on bidding even more labour away from the much lower paying and less efficient ones; where (b) it makes more of the established firms feel that they will have to keep existing employees on past the age of 55; and where (c) it forces all employers in general to adopt a less restrictive attitude to the new employment of all "old men" over the age of 30.

The conservatives' second objection is that some element of

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price inflation will be inevitable so long as policies of "encouraging excess demand for labour" continue. Probably, it will be. Indeed in this respect Japan may well have a heavier cross to bear than Britain. The reason is that prices of some things in Japan (especially services and some things produced by the older and labour-intensive industries) have hitherto been kept very cheap because they have been produced by workers whose wages have been unduly low, and this "advantage" is now about to disappear. The price inflation in Japan in the last two years has been largely due to a rise in labour costs in branches of industry where labour has hitherto been exploited; part (though admittedly not all) of the loud complaints in Tokyo this year that "prices of services have been rising too steeply" turns out to mean that "messenger boys" and other personal servants are more expensive than they used to be (a not unusual phenomenon in an enriching society) and that those who worked even in the smaller shops were now taking more than one free day off a month. To say this is not to

Savers like the Swiss?

It is often said that one of Japan's greatest advantages has been that its people are almost unnaturally heavy savers, and there have been many expressions of admiration and wonder that a people with an average personal income of nominally only about two-fifths of Britain's per head apparently voluntarily saves up to 20 per cent of it. But some of the statistics often quoted are rather misleading, or are very heavily affected by circumstances very peculiar to Japan. For example:

(1) The huge number of small businesses in Japan means that the figures for personal savings will include all capital newly invested in those businesses in any one year: sometimes this new "capital" has been most involuntarily invested, as when, during a credit squeeze, the small man has had an even higher proportion than usual of his initial bills paid by bigger firms only in promissory notes.

(2) The fact that the average wage earner gets so large a part (sometimes a third) of his annual wage paid as a Christmas bonus means that he holds that bonus for spending spread over the year; it is largely for this reason that so many even of the poorer households open savings accounts at the banks. No doubt this banking habit in itself leads to an increased habit of genuine saving, but when the bonuses given each Christmas are much bigger than those given the Christmas before—as has happened in every recent year of expansion—it is automatic that the total of savings deposits as recorded on each December 31st should be much bigger too.

(3) While employers' fringe benefits in the west often take a form (e.g. pensions schemes) which do some of the worker's

saving for him, fringe benefits in Japan often consist of doing or subsidising some of the worker's spending for him (paying his railway fares, cheap company shops) and leaving him to save for his old age himself. Such pensions as the worker gets often consist of terminal pay of his salary in a block sum for a certain period ahead, leaving him to save and spread this block sum over what he guesses will be the remainder of his life. Once again, this increases the nominal figure for "personal savings" in the national income accounts.

(4) A large number of the women in the labour force get most of their board and lodging paid for them by their employers and are saving the greater part of their wages as a dowry for when they get married. (Very few married women, incidentally, go out to work.)

(5) Hire purchase has been relatively slow to get moving in Japan (partly because of high interest rates, partly because of social problems connected with organising it), so that over 50 per cent of consumer durables are bought with money which has first been saved up and is then paid cash down; in future the proportion financed by hp is certain to grow.

WHEN allowance is made for all this, a certain haze of healthy cynicism is perhaps thrown over the theory that Japan has prospered because of "the great natural thriftiness shown by its people." The huge proportion of between 35 and 40 per cent of its gross national product which has been taken up in recent years by total investment (which necessarily equals total savings) is largely explained by another factor: namely

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pretend that there have been no evils (particularly for retired people) in the sudden 10 per cent rise in prices which has occurred in Tokyo during the past year; certainly it would be an excellent thing if the big Japanese companies engaged in more of the competitive price cutting which is also badly needed in Britain. But on balance—especially if there were now to be a growth in social services, including pension schemes, for the less well off—some rise in the domestic price of things hitherto turned out by low-wage establishments should not be regarded as an unmitigated misfortune. It would seem to be worth while if it is the requirement for keeping expansion and modernisation of Japan's industrial structure pressing forward at the full stretch of advance.

THE third objection to continuing demand reflation is that it might result in a continuing balance of payments crisis for Japan. Once again, one must define what one means here. If

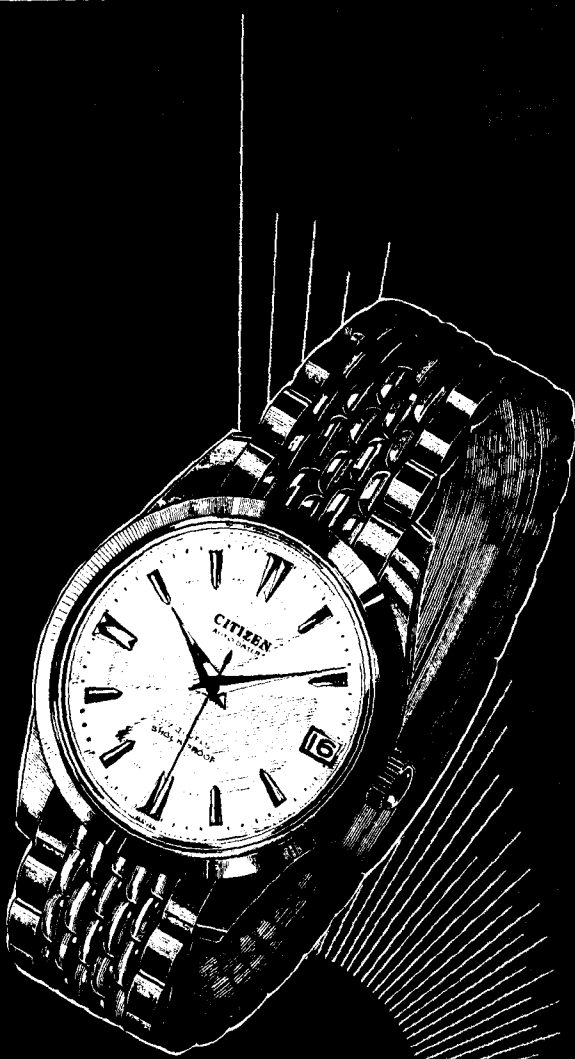
the fact that (although, once again, properly comparative figures are desperately difficult to work out) about a tenth of the national income which in Britain would have gone to wages or other personal incomes has in Japan recently been going to company profits instead. To the doctrinaire left-winger, this will seem a shocking proof that the capitalists are too greedy, and the trade unions insufficiently powerful, in Japan. To the more pragmatic economist, the proper observations seem to be:

(1) Because companies have been ploughing back these high profits during a golden age of high investment, the Japanese worker has gained more in this last decade from this greater growth in the national cake than he would have done if he had got a larger share of the national cake immediately.

(2) As a matter of fact, the slower relative growth of wage bills than of profits has not been primarily due to the weakness of trade unions. It has been much more greatly due to the facts that the new and most profitable industries have mostly been built up with new and young labour forces; and it is a custom of the country (which the trade unions themselves appear to support) that young regular employees expect to get a much lower wage than older regular employees in Japan.

As the average age of the labour force in these new industries grows older, more of the national income should go to wages and less to profits; because a smaller proportion of wages than profits is saved, this should mean that consumption will gain somewhat at the expense of investment. We have already suggested that, after its age of high investment, Japan is one of the few countries in the world where such a switch from investment to consumption would now probably be a switch in the right economic direction.

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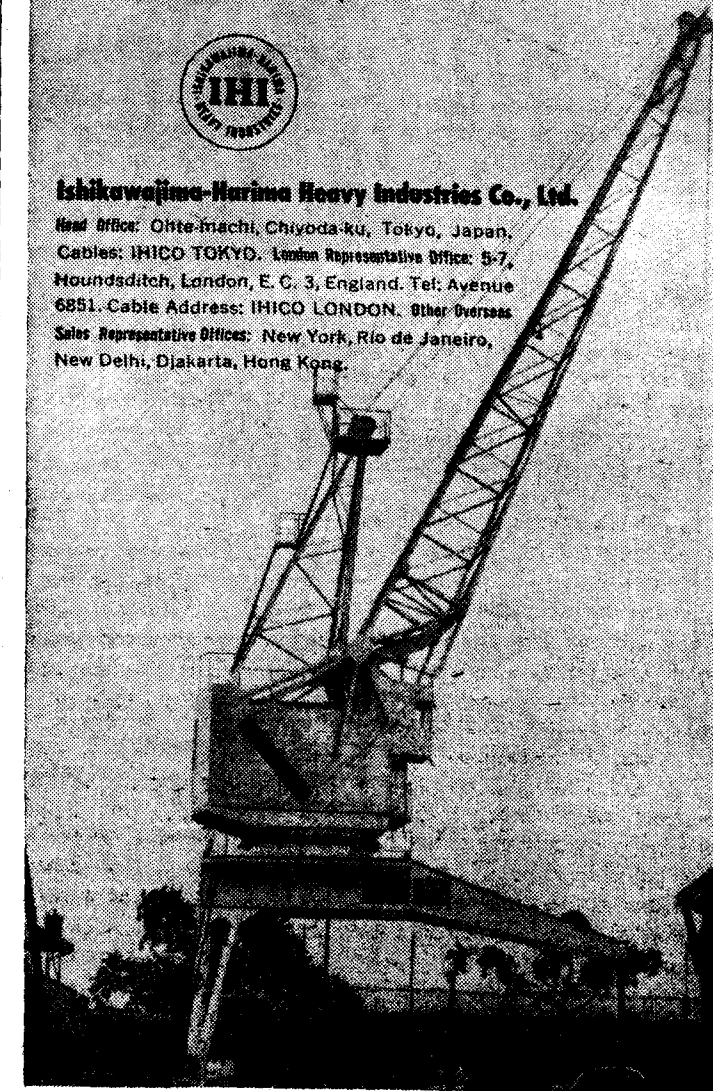
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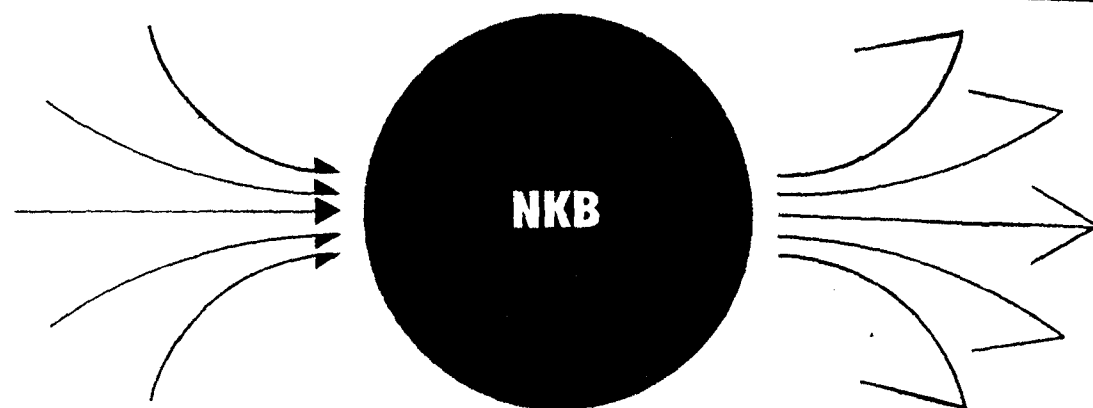
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the argument is that the importing structure of Japan cannot easily afford each year the sort of 15 per cent real increase in domestic demand that was experienced in 1961, there may well be some sense in such talk. But if one is calling for a permanent slowdown in Japan's whole recent regular tempo of advance because of balance-of-payments difficulties, then—here the argument must turn back to be addressed again mainly to western, rather than Japanese, ears—one should sit down and think carefully where such an argument leads.

If conventional economics calls for such a slowdown there can surely be no sense left in conventional world economics at all. For everybody knows that Japan's export problems do not arise from the fact that as it has giddily expanded its production of new style goods, those goods have progressively proved to be too uncompetitive and too dear; on the contrary, Japanese products are now being kept out of all manner of western markets by special restrictions, precisely because they have proved so good and so cheap.

It is easy—and justifiable—to reply that Japan does not throw its frontiers open to foreign goods either. Its attitude to imports will be discussed next week, and the conclusion will be that (despite high flown phrases about its present advance to so-called—misleadingly called—90 per cent import liberalisation) its record is still more than deplorable in one respect: it should do much more to implement the precept spelled out in its present long-range economic plan that while it is reasonable for its tariff and other policy "to give protection to incipient industries which have potentialities for development . . . the government should refrain from giving (similar) relief to declining ones." But really in this it is in the west's own interests—and also should be frankly its responsibility—to set an example. For consider the prospect now before us.

All the goods that Japan could produce more cheaply than



Full speed ahead: crack express leaving Tokyo

the West yesterday and today—including especially the sensitive goods like textiles against which Britain wants to maintain the power to impose sudden import restrictions—are likely to be the goods that other developing countries will be able to produce more cheaply than the West tomorrow or the day after tomorrow. It is most emphatically not in the West's interests to try to keep alive its own doomed industries making these goods; even if Japanese industries are repulsed by special restrictions today, the West will only be left with a mass of declining industries that will have to fight overwhelming competition from a dozen or more new Japans, from Africa, Asia and even southern Europe tomorrow. By contrast the more "modern" goods that Japan itself is now newly becoming able to produce as efficiently as the West cover a much wider range. Probably indeed they will soon be conterminous with nearly the whole field of manufacture. There may be loud protests as this happens. But if the West follows a policy of reasonable liberalism, this does not mean that Japan will capture all our markets.

No country can capture all the world's markets and thus run an export surplus for ever. The most that might happen would be a fairly shortlived yen problem, like the D-mark problem of the last decade and the dollar problem of the decade before that, which would eventually be solved (as the D-mark and dollar problems have been) by the rise of living standards and of import freedom in the export surplus country, or (less probably) by an up-valuation of the yen. The problem would in short be solved as, among the comity of rich western countries, this first standard bearer of Asia at last arrived as an equally rich-living partner.

But at the moment the West is not following a policy that will encourage this. On the contrary, in answer to pleas for protection from some of Britain's own lowest wage industries and (to cite one actual example while your correspondent was in Japan) from American producers of zip fasteners, imports from Japan are being held down by intermittent special restrictions. And now, in consequence of this, the idea is gaining ground that Japan will have to slow down her exciting rate of advance; that she will have to delay her dramatic surge into tomorrow; that she may have to remain more static in her industrial structure of yesterday and today, a structure into which other developing countries should soon be advancing (although they too will be likely to be slowed, if Japan is left marking time across their route of advance).

And thus a whole absurd cycle of mutual misery could be brought into being. Thus the whole process of advance in Asia and Africa could be blocked, just after one Asian country has shown how breakthrough could be achieved; and the West, sadly pumping out aid funds to spur on the sort of economic development which it will have blocked by the export of its own economic stupidity, will be left wondering why the political consequences of this well-intentioned bungling are so dire. And nobody who has seen the political forces operating among Asian students today—or sensed what will happen if an economic slowdown prevents these young men from getting quite as good jobs as they at present expect—will underestimate for a moment just how dire they could be.

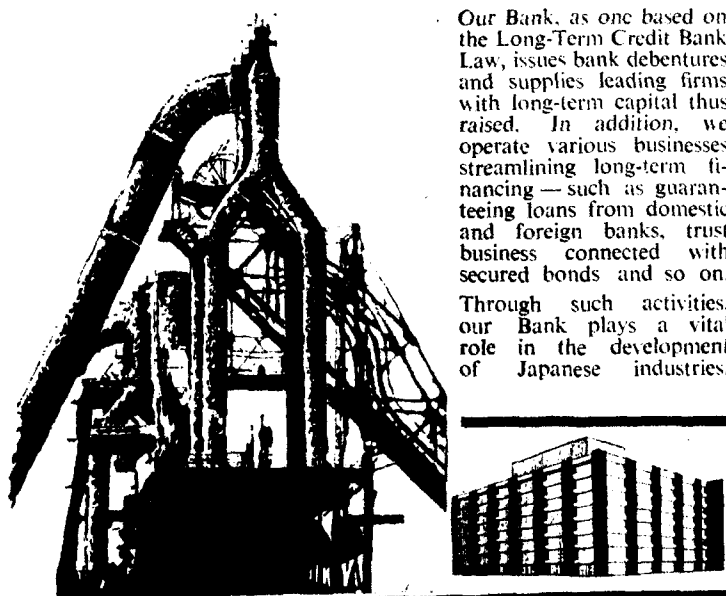
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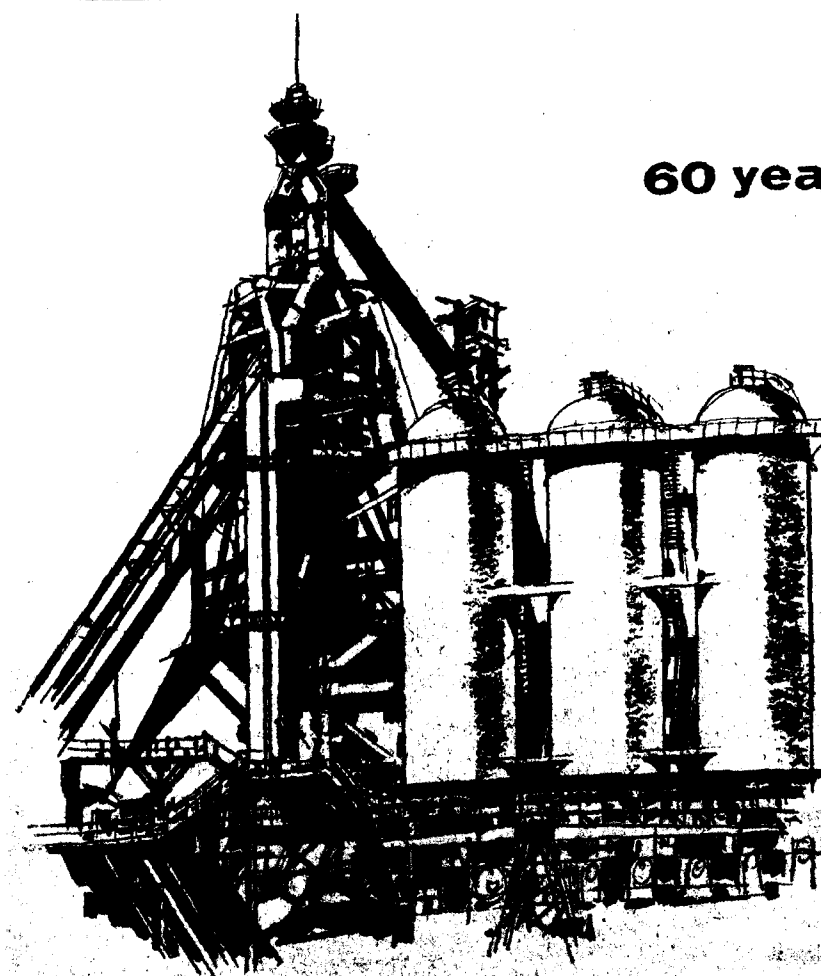
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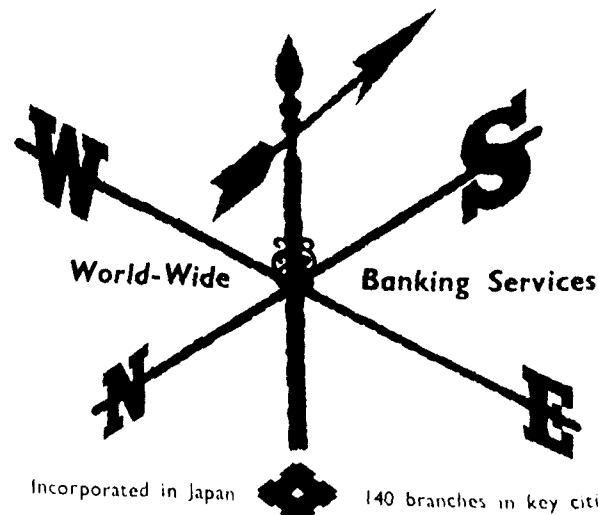
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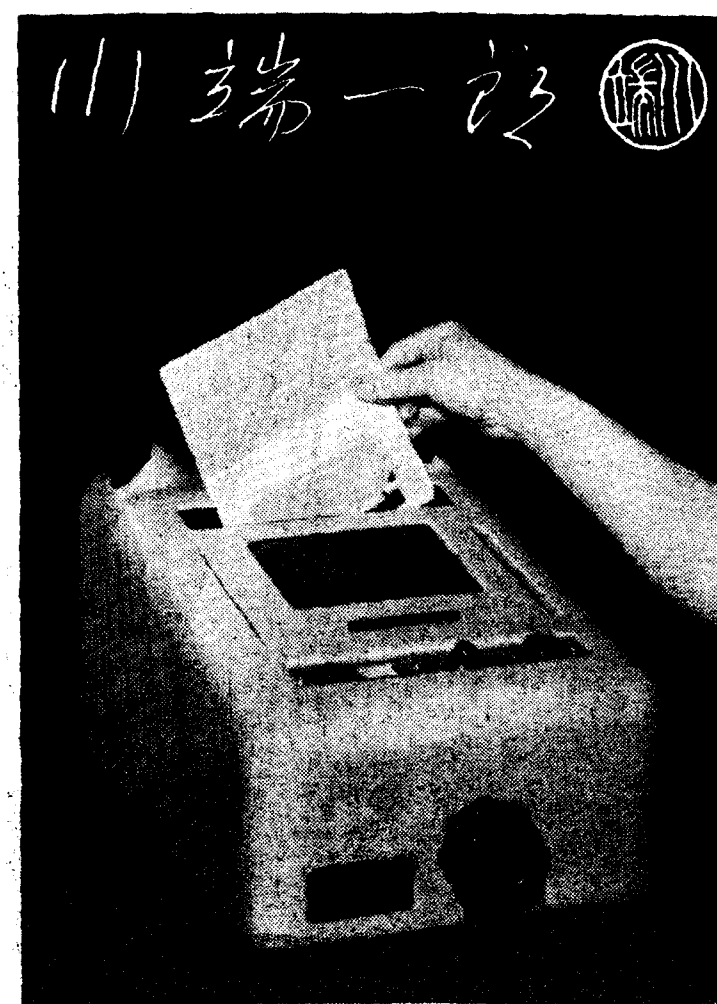


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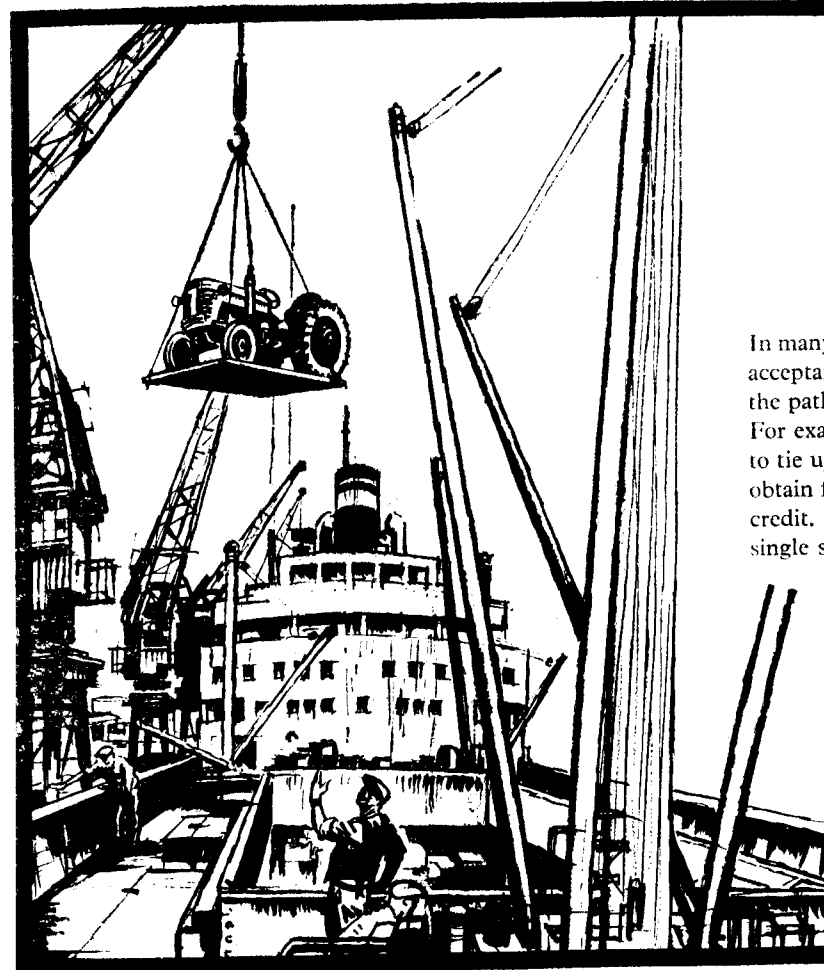


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THE BUSINESS WORLD

Should Interest Rates Fall?

A NEW surge of demand for gilt-edged securities in London this week has brought the year-long recovery into new ground. War Loan, rising by nearly 2 points, is now comfortably above 60, and a full ten points above its low after Mr Selwyn Lloyd brought in his emergency measures in July last year. Its yield has thereby been brought below 6 per cent; in August last year, yields ranged up to 7 per cent. At the same time, the gilt-edged market has been absorbing unusually large funds. New issues by corporation and Commonwealth borrowers have been let forward in a steady stream; the latest is a loan of £10 million for New Zealand, which with a gross redemption yield of £6 6s. 8d. per cent secured the expected over-subscription on Thursday. In all, these issues have raised over £150 million since the beginning of the year. In addition, investors have by now taken the whole of the £300 million of Treasury 1986-89 stock put out through the tap from the beginning of May. Indeed the expected ending of this tap, which had previously restrained the rest of the gilt-edged market, was one of the immediate factors behind this week's market boom. The authorities have been quick to replenish the tap, reverting to the very long end of the market with a new tranche, of no less than £500 million, of the Treasury 5½ per cent, 2008-12. This being issued at 95, ⅜ above the market price—

unattractive immediately, but on recent experience perhaps not for very long. The issue contributed to a pause in the very long dated and irredeemable stocks but to a rise in the 1982-84s and the 1986-89s. Faced with a literally overwhelming demand for their wares, the monetary authorities seem to be responding mechanically in the only way they know—making more stock available, keeping short-term "control" but providing little serious resistance to the market rise. Have they really reconsidered, for present conditions, what should be the role of funding sales on the one hand and interest rates on the other?

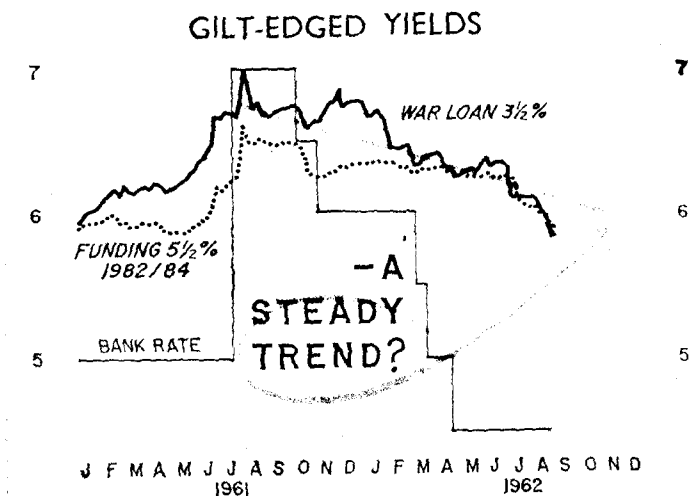
After a number of years in which, as Professor R. S. Sayers has pointed out in an impressive article,* investors had no clear idea in which direction interest rates were moving, they have recently, with the help of hints from the Bank of England, formed a more positive view. The view is that rates are still unduly high both historically and, more important, in relation to the balance of economic forces. The big new factor in

the investment climate of the sixties is the return of economic scepticism to major western economies after the easy post-war boom. Growth no longer looks certain, and to be had for the asking; it follows that a so-called growth stock with a promise of future income is no longer automatically preferred to a staid stock of fixed monetary value and fixed return. This major change in the western economic scene was first discernible in 1960; and it did then look, for a time, as if the long bear market in gilt-edged was already on the turn. The exchange crisis of 1961 intervened; but immediately the rescue operations for sterling had been taken gilt-edged began to rise.

The fall in long-term interest rates so far, of rather more than one percentage point, is already larger than the fall that took place between the previous exchange crisis of 1957 and the time when recovery began to give way to boom in 1959. But in the current cycle long-term rates have started from a notably higher peak, close to 7 per cent. The present level of around 5½ per cent is still no lower than in the most critical days of 1957; it is significantly higher than at the depths of the Suez crisis; it compares with a long-term level of 5 per cent which seemed shockingly high at the beginning of 1956; with 4 per cent in 1954; and with 3 per cent and less throughout most of the forties. Only four years ago, one may recall, Professor J. R. Hicks was arguing that, given some kind of easing of sterling's international liquidity problem, the traditional rates of 3-3½ per cent on Consols should still be considered the norm; and though most observers would hesitate to go that far, even today, the proposition seems rather less fanciful than it would have done two years ago.

FOR it does seem that at a time when demand inflation or anything like it has disappeared from Britain, from the United States, and from Germany; when cost inflation is under better control in at least the first two countries; when personal savings in all three countries are continuing their extraordinary progression; and when, nonetheless, the British Government still feels bound to supplement these savings through a net budget surplus—in these conditions, certainly, it is not easy to see why interest rates in London should surpass the level that even the supporters of flexible money rates thought appropriate at the height of postwar scarcity and uncontrolled boom. So it happens that voices as disparate as those of Lord Cromer, Professor Sayers and Sir Roy Harrod have been talking interest rates down. Are they right?

* "English Policy on Interest Rates, 1958-62," Banca Nazionale del Lavoro Quarterly Review, June 1962.



Should the natural tendency of the market be encouraged, indulged (as it has been hitherto) or resisted?

The key question is how to adjust the undoubted misalignment between current interest rates and prevailing fiscal and economic conditions—which side should give, and how much? The popular vote in the City is undoubtedly for lower interest rates, and this view is shared by the Bank of England, provided that the reduction is gently made and does not risk a psychologically damaging market reversal. The Treasury, which now seems likely to postpone any positive measures to stimulate the economy until after September's meeting of the International Monetary Fund in Washington, seems well pleased with the rising gilt-edged market. Lower interest rates, it is said, are needed to encourage investment and reduce industrial costs. But is there really any prospect that a reduction in long-term rates to five or even four per cent would, by itself, be sufficient to check a declining trend in Britain's industrial investment caused by the disillusionment of industrialists whose existing capacity is markedly under-used? Interest rates have an important marginal effect on investment decisions, which Professor Sayers himself concedes is likely to be more important in the sixties than it was in the fifties; but new investment responds more to expectations of profits than to savings in interest. So the first priority for a revival of investment in Britain is a revival of demand, and an easier fiscal policy. Lower interest rates would help, but they are not an indispensable help, whereas an active demand is. And at some point they might need to be dispensed with, as they would certainly add to pressures on the always vulnerable balance of payments. Time and again Britain's balance of payments in recent years has forced a rise in interest rates; the balance is not so strong now that it can do without the covering fire that relatively high interest rates are now providing for sterling. Relatively high long-term rates—which are still no higher than most rates on the continent—have helped to offset the whole of Britain's large gross outflow on long-term capital account. This is support that might be essential to offset the temporary strain of an industrial revival on the trade balance.

Keeping credit relatively dear need not be in conflict with a policy of expanding the volume of credit by retreating from formally deflationary budgeting and providing an expanding supply of Treasury bills as a base for an expansion in bank deposits. Year by year deposits fall to ever lower proportions of national income (though that is a reflection on banking as

much as on official policy). Cheaper but still restricted credit—an outcome which seems all too possible on the basis of current official policy—makes little sense for Britain's present needs, internal or external. The reverse should be the aim. Mechanistically, an increase in credit supply without any significant reduction in interest rates may seem unnatural. But given the role of future expectations, which the authorities can still powerfully influence, it is anything but inconceivable—thus to argue from the extreme case, an obviously extravagant expansion of credit might clearly frighten the market sufficiently to put gilt-edged yields up and not down. The United States authorities in the past year have indeed been trying, with moderate success, to make credit freely available without making it generally cheaper. And in Britain such a policy could be aided by allowing the banks full freedom to lend for whatever purposes they consider appropriate, at whatever rate they consider appropriate—and to pay a competitive rate for time deposits. This could be the ideal time to restore full flexibility and efficiency to Britain's credit market.

ALL this demands that Threadneedle Street, indeed the world financial community at large, loses its horror of that old villain, the Treasury bill. Hunting down the villains of previous decades is a sadly familiar but not an inexorably permanent characteristic of financial control. After the long inflation of the war and postwar years, the financial authorities had perhaps to show that their power to check as well as to expand the money supply had not vanished. The demonstration has been convincing. No one doubts any longer whether governments will be able to sell, at any price, their fixed interest obligations. Having demonstrated their power of financial control the authorities can, and urgently should, lose their old inhibitions about public financing ("bad") versus private financing ("good"). They may, indeed, be on the point of starting to do so—the changes projected in local authority finance (more from public sources and less from market sources) imply a willingness to rely more on Treasury financing, short as well as long. But the fear of official paper, still so closely associated with inflationary financing, remains strong, though it is no longer rational. At a time when private savings are tending to exceed private investment, and when there is a lack of growth industries in the private sector, significant room is being made for larger public investment. The attainment of much vaunted growth targets, in Britain and America, may closely depend on getting this extra public investment. And that in turn depends on a willingness to recognise that, in these new circumstances, there may be a need for more credit and monetary demand induced from the public sector and that its suppression by austere financial policy may leave too many resources unemployed. Higher spending from the public purse need not remain permanently in the public sector; it should act as a primer to the private sector.

In this major question, lower interest rates are a side issue. It is conceivable that the authorities will still pursue them, simply because a marked reduction in interest rates may better suit the politics of Westminster and Threadneedle Street than a marked change in attitudes to public spending and official financing. But if the single choice of lower rates is taken, that will not itself ensure that brave hopes of economic growth are translated into achievement.

Aircraft in Turbulence

THE aircraft industry lives by technical change, and its doldrums in recent years have been as much due to the lack of change as to anything else. At the risk of mortally offending every designer in the business, the plain truth is that one aircraft flying at twice the speed of sound is much like another, and one nuclear missile is much like another; a marginal difference in their performance is not, of itself, enough to create a new market. The industry's most recent setback, the cancellation of the Blue Water army rocket, can be explained very simply in these terms. Blue Water was a good workmanlike design, but it did not do anything that could not be done—slightly less well, it is true—by several other rockets already coming into service. It was this, rather than any subtle conspiracy to reduce the number of tactical nuclear weapons at Nato's disposal, that pulled out the plug from under Blue Water.

Today, change is in the air again. Several big technical innovations are about to be introduced into a number of key markets. The aircraft industry can begin to think in terms of living rather than hibernating, provided that companies can adapt themselves to the unquestionably tough conditions of the sixties. If they cannot, then the industry may not be worth saving at all. These changes, not necessarily in order of importance, are vertical take-off, the introduction of jet airliners on short journeys, the introduction of supersonic airliners on long ones, and the possible need for long-distance freight aircraft.

Vertical take-off that works (helicopters apart) is a British invention. It is a sign of how much the industry has lost confidence in its own achievements that a great deal less fuss is being made of this development than its technical importance deserves. The vertical take-off fighter, as exemplified by Hawker Siddeley's crude little beast, is the only really new weapon since the inter-continental ballistic missile. It is one of the few products of the aircraft industry likely to command an immediate market because it gives an army something that it never had before, a baby bomber capable of giving tactical air support to troops from whatever place and with whatever weapons, nuclear or conventional, are needed. The question is, how much of this market can the British industry expect to capture? It is, for the moment, the only supplier of vertical take-off engines, with two competing systems on the market. The first to go into production is Bristol Siddeley's dual-purpose engine which provides power for vertical take-off and for forward flight from the same motor. This is backed by the RAF on the simple argument that the more engines there are, the more chances there are that one may go wrong. This is the system which powers Hawker's fighter, for which the machine flying at Farnborough next week is an elementary prototype.

The second system has been developed by Rolls-Royce from the original "flying bedstead" and relies on two sets of engines, each "optimised" for their job. One set consists of normal jets for forward flight, the other of special light-weight, short life engines for the vertical lift required to get off the ground. Rolls-Royce argues that this, for all its apparent complication, is the simplest way of obtaining vertical

take-off, since the lifting engines, which fire for seconds only, can be infinitely simpler, lighter (they are half-plastic) and cheaper than a normal jet. There is some indication that Rolls-Royce is beginning to feel uneasy that the only application it has found so far for this system is in a French-designed Dassault fighter due to fly shortly: a determined effort is being made to convince opinion in Britain of its merits.

The situation in which Rolls-Royce unexpectedly finds itself may become the normal pattern for the aircraft industry. Its prosperity in the late 1940s and early 1950s was built on selling large quantities of equipment to other countries, especially in Europe. Europe now has its own aircraft industries in France, Germany, Italy, Holland, Belgium and Sweden, none of whose governments is going to import British-built equipment if it means putting its own factories out of work. Fortunately for both Bristol Siddeley and Rolls-Royce, these factories abroad are, with one or two exceptions, building aircraft rather than engines; there is also the possibility of their collaborating with British companies in the design and manufacture of the VTO fighters themselves. Hawker Siddeley has arrangements of this kind in Germany and France; there is a tacit understanding that the Rolls-Royce/Dassault fighter might be built in this country by the British Aircraft Corporation. In these agreements, giving the governments of the separate Nato countries a vested interest in British-inspired designs, lies the British industry's only chance of avoiding another debacle on the lines of the recent wholesale conversion of all Europe's air forces to the American Lockheed F.104 fighter, large numbers of which are being built in Europe under Lockheed's supervision.

THE aircraft industry cannot cover its flanks in the same way in the civil aircraft market. Here it has been going through a particularly bad period, coinciding with the petering out of demand for the Viscount and the heavy investment by airlines in the kind of long range jet airliner that Britain has been unable to supply. It has been hard to rouse airline interest in more modest aircraft for shorter ranges, even for such outstanding ones as the Caravelle; but with their big-jet investment virtually complete, operators are now realising two things. One is that their short-range aircraft, Viscounts, Convairs, and especially Dakotas, are so old that this is obvious to the passenger. The other is that these are flying on routes also served by jets (to take an extreme example, passengers to Manchester can fly from London on a BOAC Boeing 707 or a BEA Viscount or Vanguard).

Hence the revived interest in short- and medium-range jets, which has turned the Comet almost overnight from a heavy liability into a modest profit-earner for both the Government and Hawker Siddeley. Airlines will certainly demand a higher and much more economic performance than the Comet can offer, but for those hard pressed by jet competition, the Comet is available almost off the shelf. Its successor, the Trident, will not find the market so easy in spite of being a much better aircraft. It faces severe competition from a small jet that Boeing has scaled down from the big 707, and less severe

competition from some other jet designs on the market, notably those produced by Convair. The brightest future seems to lie with the British Aircraft Corporation's One-Eleven jet which fits the same niche as the Viscount, and should have all the Viscount's attractions on the shorter routes as well as its short-comings on the longer ones. This particular segment of the short-range market is a big one; how long BAC could keep a lead in it is another matter. For reasons of sheer commercial sense, the American companies may decide to keep out of it as they kept out of the Viscount market. But there is some reason to suppose that the only reason they did that was because they could not get suitable engines for a small turbo-prop in the United States, and not because they had judiciously weighed the evidence and concluded that the market was insufficient to support two competing designs.

The attitude of the American industry gives concern to the Ministry of Aviation. The present crippling high level of development costs suggests that the two countries should not duplicate each other's work: the United States, for example, should not develop vertical take-off and Britain should not attempt to go into space. But whatever steps are taken to rationalise production and research with Europe, comparable agreements with American companies seem as far away as ever. So Britain continues laboriously to develop the Blue Streak rocket into a space launcher, not from delusions of grandeur but from a real fear of the price that the United States might charge for space and communications rockets if it became the sole manufacturer in the West.

It is not at all certain that the American industry is equally intransigent about co-operation on a supersonic airliner. Emissaries from American companies who have come to sound British manufacturers on the prospect of collaboration are said to have returned, snubbed, to the West Coast. *The Economist* has not concealed its fears about the course

that the development of supersonic airliners is taking in this country—a course that seems aimed at a supersonic Comet rather than a supersonic Boeing 707, which is what the market would seem to require. This is not to say that such a machine should not be attempted at all; to argue this would be to admit that civil aviation has reached the end of the road and can develop no further, which seems unlikely. But whatever design is chosen, a supersonic venture must give tremendous technical stimulus to the aircraft industry, and to all its suppliers. It does not, like vertical take-off or the short-range jet, offer the immediate prospect of work on the factory floor; but it means much to the industry's design side, which has lived for years on the verge of almost total shut-down and which still faces the prospect of unemployment for one man in four. Lack of orders caused by the stagnation of the late 1950s has been felt most severely in the design offices, and accounts for much of the industry's demoralisation.

The significance to the industry of a big freighter, a machine big enough and sufficiently long-range to compensate the army for the disappearance of one staging point after another, lies in the esoteric techniques that would be needed to get this range. None of these techniques is worth developing on its own. But developed as by-products of military freighting, they might contribute much to civil jet design and provide an insurance against the failure of a supersonic transport—there are plenty of obstacles in its way. But the cost of such a freighter compared with the numbers likely to be needed makes it uncertain whether the Ministry of Aviation could go it alone without the collaboration of some or several other countries. In the end, therefore, the industry's future rests less in its own hands than on the impression that it makes abroad; some of its brightest hopes can be realised only with overseas collaboration and finance. For so insular, so fiercely competitive an industry, this is a hard lesson.

BUSINESS NOTES

STERLING

Money Flowing Out?

WHILE the dollar has continued to hold firm in the exchange markets this week, and the mark has had to be supported against it, sterling has continued to be on the defensive. The usual seasonal offerings have been supplemented by some short sales by professionals who expect London interest rates to fall further. But selling has not been on a large scale, and market observers believe that the authorities may not have lost any further significant amount of dollars this week, and that the gold return for August will not show a large loss. The inflow of short-term funds into London was checked some weeks ago, and has been followed by some outflow. But the situation is

not clear cut. Falling rates in London have been fully matched by a narrowing in the discount on forward sterling, and on a covered basis arbitrage in Treasury bills now shows an advantage of about ½ per cent in favour of London over New York. A switch out of Euro-dollar deposits into a deposit with a local authority, however, is no longer worth while: the arbitrage balance here is exactly neutral. The key rates in these arbitrage calculations, including the rate on inter-bank deposits in the Euro-dollar market, are shown on page 849, and will be carried regularly week by week.

Official figures of overseas sterling balances on June 30th show a further fall

in holdings by non-sterling countries, by £33 million to £840 million. The reported fall in the first quarter, of £51 million, had been starkly at variance with market experience, since foreign funds were flowing in strongly in the early months of the year. In the second quarter the inflow certainly abated, but an actual fall in these sterling holdings is still a little surprising. Until the authorities make these figures more comprehensive their significance remains uncertain. North American holders are shown to have made good the fall in their balances in the first quarter, restoring them to £94 million. West European countries, on the other hand, show a drop of £22 million, and other non-sterling countries a drop of £37 million. Balances of overseas sterling countries rose strongly by £126 million. This is the favourable season for these countries, but the rise brought their total balances to £2,699 million, the highest June figure since 1957.

WALL STREET

Mutual Funds and the Market

A correspondent cables:

THE rally on Wall Street has been checked and by Wednesday the Dow-Jones industrial average had fallen to 603. This is not surprising as equities made a strong advance earlier this month. It may be that prices will again move higher after the Labour Day holiday. But brokers say that there is a good deal of stock ready to be sold once the Dow-Jones average rises into the 625-650 range. So far the advance has been irregular: many stocks are still close to the lows touched in the spring and buying has been concentrated upon "space" issues and the more solid industrial stocks which offer good yields. The buying of "space" stocks was sparked off by the Russian feat of putting two men into orbit, and though it has since been interrupted by profit-taking, investors are convinced that companies engaged in the space programme will continue to be favoured by increases in government expenditures. In general, the stock market appears to have recovered a good deal of its poise. There are fewer complaints about Washington's attitude towards business and Wall Street at least is still convinced that the administration will make good its promise to make a tax cut in January.

Once the mutual funds had read the study of their activities presented to the Securities and Exchange Commission they, however, were quick to say no real rapprochement between Wall Street and Washington has taken place. The mutual funds now have over \$19 billion in assets and this report was critical of some aspects of their operations. It pointed out, for example, that their performance on the average was no better than the stock market's. The mutual funds, whose stock in trade is professional advice and management, have protested at this finding and are saying that the report is undermining public confidence. This suggestion is very much open to question, and the shares of the mutual fund management companies have fallen sharply in the last few days. Some have fallen by as much as 15 or 20 per cent. There is no doubt that the operations of the funds have made the market more volatile. But there seems to be no way of preventing this. No one, however, expects a repetition of the sharp rises that occurred in the bull market nor the sudden falls that occurred in the spring. With the business outlook still uncertain, it looks as if the market will continue to act moderately and cautiously.

SCIENCE POLICY

Home or Away?

SIR JOHN COCKCROFT's presidential address to this year's British Association meeting sounded a warning, not about more men

and more money for science, but about the danger of investing in the wrong kinds of science. Sir John is no Little Englander, yet he felt obliged to say that "in considering our future investment in science, we have to take account of the increasing proportion of our funds for basic research which are going into international organisations. . . . We will need to be very careful that, in periods of financial stringency, these investments do not reduce the funds available for basic research in our universities." This is a serious statement, coming from one who has welcomed the establishment of such international bodies and been a strong exponent of the argument that much of the equipment science requires today is beyond the purse of any single country and must be shared by several. What has caused Sir John's concern? Plans initiated by Mr Therneycroft while at the Ministry of Aviation for a European space launcher project based on Blue Streak and a supersonic airliner venture with France? Rumours that the international nuclear physics laboratory of CERN in Switzerland wants bigger and better accelerators than the £15 million installations it now owns—plants that cost nearly £8 million a year to run, of which a quarter comes from Britain? At a time when the Government is doing everything to promote interdependence with Western Europe in defence, which indirectly takes a massive slice of the funds available for research, Sir John's implied warning that co-operative enterprises might have some harmful effects on science in Britain needs to be pondered.

THE ECONOMY

The Disestablishment View

We have had an economy devoted to the fetish of the strength of sterling; the Americans have had one devoted to the fetish of the balanced budget. . . .

One of the big objections to devaluation is the damage it does to a country's prestige. France's economic prestige does not seem to have suffered much for long. Other countries are queueing to copy her economic institutions.

IN diagnosis and prognosis of the British economy, the National Institute of Economic and Social Research has become the best-established non-Establishment view—in some sense, indeed, a mirror-image which no respectable Establishment could bear to do without. If there had been any hope or fear that the end of Mr Alan Day's tenure as editor of the institute's *Economic Review* would dilute its heterodoxy, Mr Frank Blackaby, the latest editor, managed at the British Association this week to brush this off, with a provocative paper to its Economic Section on "The recent performance of the British economy."

Technically, the interest of this close look at growth rates is that Mr Blackaby has tested out most of the obvious ways in which economic league tables, with Britain always

at the bottom, might be unreliable. He has checked whether over a ten-year period British estimates of the domestic product based on expenditure move in line with those based on output. He has calculated rates of growth for countries that have revised their figuring on the old methods as well as the new. He has excluded certain "non-productive" services from the count—what he calls "the output of nuns and dons"—and simply compared the rest of national output. He has allowed for the greater shift of population into agriculture in other countries; and for the different structure of the different economies. He has asked whether the difference was due to postwar recovery. And his answer is that none of these adjustments makes much difference at all. Britain has grown much slower than the Continent. And hopeful excuses do not hold.

Mr Blackaby puts down the main reason for the different growth rates to the different course and pattern of demand here and on the Continent. Here, he argues, restraint of demand undermined confidence, held private investment low, and encouraged manufacturers to put up prices when wages rose, since they had no confidence that output would rise fast enough to mop up the cost through extra productivity. On the Continent, a sharp rise in export demand at the beginning of the fifties (at a time when Britain was heavily increasing defence expenditure) set off the opposite virtuous circle of strong confidence, high investment, and rapidly rising productivity to offset wage rates.

Britain, he argues, should now set itself a faster growth rate in a particular year: why not 1963? If this should bring the economy up against a balance of payments limitation, he would vote against further long-drawn out restraint on demand: "... follow the French in their exchange rate policies as well as in their planning institutions." But the French may have been the last independent devaluation of a major currency; and is an independent devaluation of a reserve currency conceivable?

HOURS OF WORK

Measuring Productivity

IN the United States, the level of weekly hours worked by operatives in manufacturing industries is considered to be an important leading indicator in the general business cycle. A decline in hours, it is thought, may reflect incipient changes in economic activity before the unemployment curve rises. In Britain, up till now, the measure has been available only twice-yearly, alongside the statistics of earnings taken for April and October. Now the Ministry of Labour, in its current *Gazette*, has put out an index number, monthly as from May, 1961, with earlier figures calculated six times a year. The latest figures relate to the week ended June 23rd, when hours in manufacturing as a whole had risen

about 1 per cent since January. Most, if not all, of this rise is likely to be seasonal, and the hours being worked were still 1 per cent lower than in the middle of last year.

The measure of average hours is produced by adding to the standard weekly hours a calculated figure of net overtime per head. This latter calculation leans heavily on the

MEASURES OF PRODUCTIVITY (1958=100)

PRODUCTION AND EMPLOYMENT*

	Production	Operative hours worked	Operatives on payroll	Employees on payroll
1958	100.0	100.0	100.0	100.0
1959	106.0	100.5	99.6	100.5
1960	114.5	103.5	103.5	104.5
1961	114.7	102.5	104.3	106.0

PRODUCTIVITY*

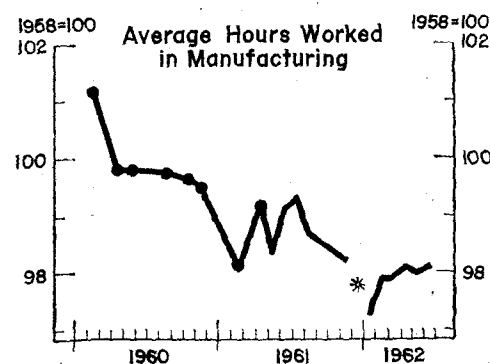
	Output per operative per hour	Output per operative per year	Output per employee per year
1958...	100.0	100.0	100.0
1959...	105.5	106.4	105.5
1960...	110.6	110.6	109.6
1961...	111.9	110.0	108.2

* In manufacturing industry

regular monthly returns from employers—the "L" returns—which makes it, like all employment statistics, subject to revision after the annual count of national insurance cards, although "this adjustment would normally not be substantial."

Another snag in the calculation of average hours is that no allowance is made for part-time workers. This is remedied, however, in the Ministry's second new measure, which is of total weekly hours worked. This is the product of employment and average hours. The total of operative-hours throughout manufacturing in the week ended June 23rd was 2.6 per cent less than in the corresponding period a year before; in the vehicles industry alone, however, the decline was 4.2 per cent.

The new monthly index of operative hours is probably the best guide to effective employment in the factory. On that basis,



the table shows that workbench productivity in manufacturing was still rising last year. But if employment is measured simply by the number of operatives, then productivity per year in the factory declined; and if it is measured by the total number of employees, including administrative, technical and clerical workers, then productivity in the whole sphere of manufacturing also declined.

SOUTH AFRICA

Feeling the Way

THE South African government has this week announced the second relaxation in the exchange controls imposed in June 1961; it could equally be a harbinger of further relaxation or an excuse for keeping the crutches. Cautiously, the government has taken another step to restore the normal market bridge between London and Johannesburg, and is testing the desire of foreign holders of Kaffirs to unload them once the discount between London and Johannesburg narrows. The Reserve Bank, following the earlier relaxation, already had power to buy South African shares in London for approved institutions and to sell them to the institutions at the ruling Johannesburg price. Now, rather than making the purchases itself, it will make allocations of sterling for purchases directly to the Johannesburg Stock Exchange. The sterling will be divided among the recognised arbitrage dealers by the president of the exchange. It is not known how much sterling the Reserve Bank will make available, but it seems likely that if the discount between London and Johannesburg starts to narrow the amounts will increase; should the South African buying in London be countered by foreign selling of Kaffirs, thus maintaining the discount, the Reserve Bank could retreat and reduce the allocations. The future of South Africa's exchange controls therefore now seems to rest with the London discount. On the news of the relaxation Kaffirs showed gains in London ranging up to 5s. But gains in South Africa have so far kept the discount at about 13 per cent. It is not yet clear what will happen to the "fortuitous profits" from buying in London and selling in Johannesburg. Previously the Reserve Bank paid it into the government's "defence special equipment account." The new scheme is described as being within the framework of this existing scheme, which probably means that the Johannesburg brokers will be asked to hand over at least part of the likely profit on their arbitrage operations.

The other main change in the regulations is that the Reserve Bank will now consider applications for the use of blocked rands for direct investment in the equity or loan capital of South African manufacturing enterprises, provided they are new industries which are not in competition with existing enterprises. Applications for investment in Bantustan border industries will be favourably received—but interest here is distinctly limited. Blocked rands are not transferable, but a businessman whose application is approved can now save money by buying Kaffirs in London and selling them at a profit in Johannesburg to get the blocked rands.

On the surface the South African economy has never looked healthier. Investors were originally led to expect substantial relaxation of exchange controls

when the reserves passed the £100 million mark; the reserves are now more than double that figure and are setting new records each week. The balance of payments surplus is officially described as "phenomenal." But still the economy stagnates; consumers have the spending power but they will not use it. The economy is satiated with liquidity and interest rates are once more beginning to crumble. Last week the commercial banks reduced their deposit rates by $\frac{1}{2}$ per cent to 4 per cent on deposits for twelve months, and two of the bigger building societies have reduced interest on savings accounts from 3 to 2 per cent. It seems that South Africa's problem is lack of confidence at home as well as overseas.

BRITISH EUROPEAN AIRWAYS

In the Red

BRITISH EUROPEAN AIRWAYS' first loss for eight years is, says the corporation, the result of excess capacity and excessive competition—a seat and a half for every passenger. The accounts themselves, for 1961-62, tell a slightly different and considerably more complicated story. They show a rate of earning on capital employed that has declined in two years from 12 per cent to a mere 2 per cent last year, producing a net loss after meeting all charges, of close on £1.5 million on a turnover of £46 million (as a correspondent points out on page 769 there is infinite variety in the way airlines compute profits and by some standards this is not too bad a result). But this loss was not made on BEA's international services, where competition is acute and the corporation found to its chagrin that it was losing ground to other airlines for the first time in years. It was made on the domestic services inside the UK, where the corporation faces no competition more severe than that of British Railways. The international routes showed a profit of £1.2 million; the domestic ones a loss of £2.7 million. When domestic traffic was small, BEA could comfortably subsidise it out of international profits; now domestic business accounts for a third of the work done, this is no longer possible, particularly when domestic is growing faster than international traffic.

Two conclusions might be drawn from this. The first and most commendable is that BEA seems well able to meet whatever competition is likely to arise on its international routes, whether from foreign or from independent British airlines. The corporation's costs appear well under control and were shaved during a generally difficult year by a further 1.2 per cent. With loads eight per cent down, and more than two-fifths of its capacity flying empty (well below the Plimsoll line that divides profit from loss), the corporation was still able to show a thoroughly healthy financial return on its international business.

So what went wrong on the domestic routes, where BEA has little competition,



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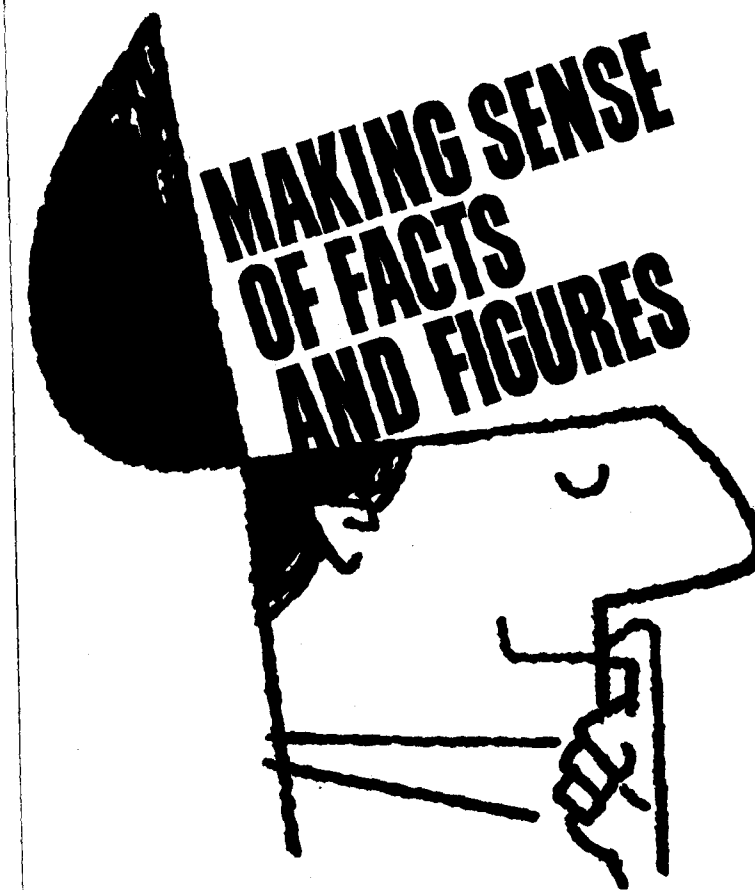
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where traffic increased by a fifth, and commuters queue for seats? One difficulty is the cost of introducing a new aircraft like the Vanguard while the machine shakes down in service and the licensing authorities cautiously extend the overhaul life of its components. On international services, an airline can expect to recoup these high costs by attracting extra traffic with new equipment, but on today's domestic routes this hardly applies. Until the Vanguard, and particularly the Vanguard's engines, are through this probationary period, there is little that BEA can do but exert every wile known to salesmen to attract domestic traffic to the level where it can offset these high costs: last year's loads of slightly less than 64 per cent capacity were inadequate. If this surprises regular BEA commuters, the explanation is the same as the railways—a rush hour morning and evening does not compensate for low loads the rest of the day. Hence the gimmick of no reservation services to be tried next spring at a third off the price of the ticket. The only passengers likely to get on these are people prepared to gamble on someone not turning up to claim his seat—and this is a real gamble—or prepared to travel off-peak. It is in line with BEA's long established policy of shading fares to demand and offering a bewildering variety of rates according to the time of the year, month, week and even day. This makes for a fussy time-table, but can sometimes produce results.

INDUSTRIAL DESIGN

Which Britain on Show?

WHAT image of British industrial design ought trade fairs abroad to project? The kind of traditional designs that, for the present, customers abroad seem to choose, or the kind of contemporary British design that the Council of Industrial Design would choose? The question is not an idle one: it was worrying the council last year, and in its 1961-62 report published last week the council chews over the question again. The reason it worries British exporters as well is that quite often the design of exhibits and the choice of British products to be included in trade fairs overseas is left to the council, and it would naturally choose to show the kinds of product that on the whole the exporters say people abroad do not buy from Britain.

The council does not exclude traditional design in its exhibits: sometimes it puts period pieces alongside contemporary examples, trying to bring out the clear line of descent. Nor does it approve every "exaggeration and aberration in the name of modernity." But its primary purpose is "to improve British design," not to act as an export promotion agency; and it feels that "though fully aware of the immediate commercial problems [it] must take a long view of its work and continue to stress the more

BUSINESS NOTES

modern aspect of British design."

Looking to this primary purpose, the Council is a little sorry that many British manufacturers are copying foreign designs and employing foreign designers. Will this not have arisen in part from its own success in waking them up to consider design at all? And it notes that "in many minds the word 'modern' is associated with Scandinavia or Germany or Italy." This point is perhaps at the core of its difficulty over exports. Generally, would the Council deny that this mental association is a reasonable one?

It thinks it can "demonstrate that good modern British design can stand comparison with its foreign competition." This is a matter of taste. But to assume that the average of British "modern" design stands comparison with the average from Scandinavia, and much from Germany and Italy, would be wishful thinking. Nor do all the "good modern British designs" the council cites (assuming that our tastes coincide) show any strong and modern British flavour. Too many are still derivative from design leaders abroad. And the foreign customer has no reason to buy the flavour watered down if the genuine article is just as cheap; he is not a British buyer imprisoned within our tariff.

GAS

Any Chance for Lurgi?

IT is true that the joint study of Lurgi gasification that is being made for the Gas Council, and the National Coal Board is not yet complete, and that it has not been abandoned. It was never "a £20 million project"; it consists of studies by three gas engineering firms about the economics of a large Lurgi plant on a Midlands site that if ever built would probably cost about £20 million. But it would still be unwise to read too much into the National Coal Board's angry denials of weekend reports that the "project" had been abandoned, which the Gas Council has supported on the facts about the study.

The Gas Council has never made many bones about the fact that it thinks large-scale Lurgi gasification is probably now a non-starter. It could be convinced if the economics of a plant turned out to be strikingly better, from the consultants' reports, than it has always thought they are. But so far it has had nothing striking to make it change its mind. The Coal Board is naturally more enthusiastic about keeping on selling British coal for gasmaking. Lord Robens did indeed offer at one time to take the whole financial responsibility for one full-scale Lurgi plant himself and sell the Gas Council gas rather than material for making gas. But there are signs that he too now thinks he was oversold on the possible economics of the process, against the unremitting opposition of the Gas Council.

It would take some remarkable results

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from the joint study, therefore, to resuscitate the idea of large-scale Lurgi gasification for Britain. Political not technical problems, admittedly, may now be threatening the Gas Council's scheme to import methane from Algeria, as part of which it has just signed contracts for the building of a 325-mile gas grid across Britain from the import terminal on Thames-side. Anyone who has a contract for future performance with an Algerian government may now be wondering whether Algeria can produce a government—or gas—in time. The Sahara is not the only place from which Britain could get methane.

COFFEE

The New Force

THE 57 varieties of coffee producer and consumer assembled in New York plus the one latecomer who joined in when he saw the way the wind was blowing have sunk most of their differences and provisionally agreed a five-year international scheme for limiting exports. Guatemala said it would not sign the agreement because its quota was too small. Ecuador, Russia, Cuba, Ethiopia and Yemen said mystifyingly that they could not agree with a resolution adopting the text of the articles of the pact. Honduras, Nicaragua and Haiti reserved their positions on the quotas they have been offered. Several African producers, not least Kenya and Tanganyika, expressed dissatisfaction but grudgingly accepted the agreement. Grouches have been heard from other quarters, too; not every Brazilian is happy about that country's 18 million bag quota out of the 45½ million bags provisionally allocated among the 36 producers. From the groundswell of grumbles, it is fair to surmise that rough justice has been done to all, though Kenya for one has a colossal headache in the offing if it has to find an outlet for its greatly expanded future production outside the agreement.

The new agreement will come into force when twenty producers with 85 per cent of the export business and ten importers consuming a similar proportion declare that they intend to ratify. Member countries have until the end of next year to officially deposit the instruments of ratification, but the coffee conference will reassemble just before the start of the coffee crop year on October 1st to approve the draft of the agreement. New markets for coffee will not be covered by the agreement, but consuming members will limit imports from outsiders. Other facets of the agreement have been shrouded in obscurity, compromising the bold new approach that the injection of consumers' realism into the producers' ramshackle skeleton of a scheme promised to bring.

Producers claim that a gradual increase in the price of coffee is embodied in the objectives of the agreement. But it con-

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tains no explicit support for prices. On the prickly subject of production controls, the agreement only provides that after a year, production targets can be recommended to get output down into line with outlets. Latin America's basic quota under the agreement is 31.1 million bags of sixty kilos, compared with an estimated exportable production of 38.4 million bags this season. African producers have been allocated exports of 11.4 million bags from an exportable output of 12.9 million bags. Export quotas have been based on performance over the past four years, as the African producers insisted. Quotas will be reviewed after three years.

ELASTIC FIBRES

Very Snappy

FOR fifteen years the big US fibre manufacturers have been developing synthetic elastic fibres (or "snap-backs") and the results of their researches have quickly crossed the Atlantic. In 1961 two "spandex" yarns—which are made from polyurethanes—Lycra and Vyrene, were put on the market by Du Pont and US Rubber respectively; both are now available in Britain, and Monsanto (USA) and Courtaulds have announced plans to make two more within a year. This reflects an uncommon eagerness to get the product to market, but in view of the enthusiasm which they were greeted with in the USA, it may be justified. Remarkable claims for the yarns have been made (including the wild forecast that the synthetics will completely replace rubber elastic in eighteen months), but the market is still in the development stage with sample quantities being offered for testing. However, manufacturers have enough faith in the fibres' future to invest heavily in them.

Spandex fibres are aimed at the market presently held by rubber threads, over which they have many advantages. The main selling point is spandex's greater strength: a lighter fabric can be made which will give as much "support" as the comparatively heavy ones needed when rubber is used. (It is said that one pound of spandex will take the place of 1.8 pounds of rubber.) This is a telling point where fashion goods are concerned. While multifilament spandex yarns can be spun, this is not possible with rubber. Spandex lasts longer than rubber as it is not so affected by body oils or cosmetics or by the atmosphere. This is a useful property in corsets where manufacturers hope that spandex will find its largest market.

Elastic fibres in garments are wrapped in threads of cotton, rayon or nylon and it is an advantage to be able to dye the core and the cover simultaneously. This again is possible with spandex but not with rubber, which is usually coloured white or pink and "grins through" its dyed covering. All

BUSINESS NOTES

these advantages have to be paid for somewhere, and spandex yarns are 2½-3 times more expensive, weight for weight, than rubber yarns. It has also been said, though this is denied in some quarters, that its recovery from stretch (important if the garment is not to sag and, with it, what it supports) is less perfect than rubber's.

The final balance between these yarns and rubber will certainly give spandex a large share of the market (estimated at 5 million pounds of rubber yarn a year in Britain): perhaps 65 per cent of conventional outlets in five years. The cost difference will probably matter less than might appear, because the cost of the elastic is usually only a small part of the final cost of the garment.

Manufacturers are determined to secure their part of the new market in Britain as soon as possible. Plastics Yarn and Lactron Thread, owned by Dunlop and US Rubber, is offering Vyrene; Du Pont imports Lycra; Polythane Fibres, the British subsidiary of the Polythane Corporation of the USA (owned by Chemstrand), plans to put its spandex on the market early next year. Courtaulds, the only British company that has carried out research (ICI has said it is

ELECTRICITY

The Balance of Power

FOREIGN trade in electricity has grown fast during the last ten years in Europe, aided by the work of the Union for the Co-ordination of the Production and Use of Electricity that the OEEC set up in 1951. In a survey of the first ten years of its life, the UCPTE shows that exports of electricity by European countries grew from 4,008 million units in 1951 to 10,553 million in 1960—from 2.5 to 3.6 per cent of production. The biggest scope for such exchanges of power between countries naturally comes where a country with hydro-electric stations adjoins one that lacks them; indeed, Austria was already supplying Germany with electricity before the war. In the winter of 1959-60, Switzerland used night imports to cover 30 to 40 per cent of its load, and in some months west Germany imported more than 10 per cent of its consumption. In the summer of 1960, Switzerland and Austria were exporting 25 to 40 per cent of their output during the day.

Most of the international flow of electricity depends on the virtually constant output potential of a hydro-electric power station as against the variations in the timing of actual demand for power. Where the output of a thermal station can be varied by the amount of fuel burnt, and it can be shut down, reducing the output of a hydro station may mean allowing water to go to waste. Conversely, output cannot be

interested, but it has no plans), has plans for manufacture, but these seem dependent on negotiations with Firestone Synthetic Fibres.

ITALY

Dr Carli Reports

ITALY is among the few countries of the western world that is still enjoying rapid industrial expansion, and it maintains its equally impressive financial strength. At the same time the Italian authorities have not been tempted to deploy this financial strength actively in pursuit of national diplomatic ends, as has been known elsewhere in Europe. Italy has been among the more co-operative of the continental surplus countries in developing new facilities to meet the needs of the deficit countries; and Signor Guido Carli, governor of the Bank of Italy, states in his annual report that the conflict between internal and external monetary objectives "calls for the creation of adequate compensatory machinery." For its part, Italy in 1961 began to extend sub-

increased to meet peak loads. Thus one finds that at 3 a.m. on December 16, 1959, the main flows were an export of 471 MW from France to Switzerland, while west Germany was sending 177 MW to Switzerland and 150 MW to Austria. At 11 a.m. on July 20, 1960, when demand for power in Switzerland and Austria would be less than their ability to produce, Austria was sending 646 MW to west Germany, and Switzerland 606 MW to Germany and 154 MW to France.

Since last autumn, with an interruption from January to May this year, Britain has been linked to the European electricity system by the Channel cable—which is now running at half its relatively modest capacity of 160 MW because of trouble with one of the transformers at the French end. But at this distance from the Alps, Britain is less well placed than France or Germany to tap hydro power, though these countries are still not taking all the hydro power that could be produced. The real advantages of international trade in current, in terms of saving investment in generating plant, are shown by the contrast between UCPTE countries, where capacity grew less than power production between 1950 and 1958, and the three west European countries whose systems remained autonomous, where capacity had to be increased as much or more than output. Spread the supply net, and one can raise the load factor.

stantial credits through the International Monetary Fund, to a total of \$175 million.

The Italian authorities went no further however in their earlier action of channelling foreign exchange into the hands of the commercial banks. They were anxious to avoid the banking system becoming a channel for "hot money," and considered that the banks' foreign exchange credits at nearly \$1,000 million were large enough to meet genuine trading needs. The authorities continued their policy of keeping the banks domestically liquid; and for this purpose they not only lowered compulsory reserve requirements but also used a new device, buying back some of the foreign exchange previously sold to commercial banks and then redepositing it with them.

Signor Carli expresses his desire to improve the short term money market, and suggests that the present system of issuing Treasury bills by tap might be replaced by a tender system, so that changes in market liquidity, as influenced by the authorities, would be reflected in market rates. In this way the Italian authorities hope to improve the flexibility and responsiveness of the financial market as a whole and to facilitate the transfer of funds from the money market to the capital market. Not that the capital market has been inactive in the recent past: in 1959-61, the ratio of security issues to fixed investment in Italy is given at 26.9 per cent, compared with 14.4 per cent in Germany and 9.6 per cent in Britain. Only Belgium, with 31.9 per cent, had a ratio higher than Italy's.

CHEMICALS DUMPING

I Export: He Dumps

ALTHOUGH dumping is recognised as a part of the chemical industry, there is no sign that the industry is reconciled to being dumped upon. Applications for anti-dumping duties still thud monotonously onto the Board of Trade's doormat: today, it seems, with more chance of success. Last week, the Board of Trade announced that, having considered the application for antidumping duties against certain imports

BUSINESS NOTES

of styrene monomer, it is satisfied that the imports from the USA are dumped; imports from Canada and Germany were found not to have been dumped. A duty is not going to be imposed as the US exporter concerned (Dow Chemicals) has informed the board that it will suspend shipments to the UK while it considers the board's decision. However the board has given the assurance that it will watch future styrene imports, and will act without waiting for further applications to be made if imported material seems to be dumped.

The demand for styrene in the UK has been increasing steadily from about 60,000 tons in 1960 to an estimated 80,000 tons in 1962. Most of this is made into polystyrene (45,000 tons last year) and styrene-butadiene rubbers (20,000 tons). Shell and Forth are the only UK producers and operate plants of 18,000 tons and 50,000 tons capacities respectively. The Shell plant is thought to be able to produce more than this figure, and Forth has another 50,000 ton plant coming on stream at Baglan Bay toward the end of the year. Prices have dropped 14 per cent in the last two years; 44 per cent since 1955. This fall has been worldwide, but as always, low-priced imports have served as a tap for other countries' surplus production, with a resulting pressure on prices for UK producers—particularly with capacity coming on stream.

To aggravate matters styrene is imported into the UK effectively without duty. Classified as a hydrocarbon oil, it is charged hydrocarbon oil duty, at present representing 35-45 per cent of the fob value of the imports. But this duty is remitted when the styrene is used for chemical production. Shell Chemicals and Forth Chemicals applied for an antidumping duty to get some protection that could not be automatically lifted; they will probably draw small comfort from the board's decision. This is the third application for antidumping duties on imports of chemicals that the board has accepted in whole or in part, and the seventh on chemicals altogether. Pressure for protection against being dumped upon is increasing. The French have recently imposed duties on two petrochemicals, butanol and ethylene glycol, and the recent retaliatory duties imposed by the EEC Council on certain imports from the USA included polythene and polystyrene—two generally dumped petrochemicals. Meanwhile British chemical producers are pressing the Board of Trade for quicker action on antidumping applications.

MOTORS

Holiday Preparations

THE last two weeks before the summer holidays in July are often a good period for car production, with the workers anxious to earn enough to pay for their holidays and the management wanting to build up big enough stocks to tide their dealers

THE ECONOMIST SEPTEMBER 1, 1962

over the dead period. This year was no exception, and production reached its highest level for the year. The British Motor Corporation, with its output exceeding 15,000 a week of all vehicles—about 11,000 of them cars—did better than at any time in the last two years, and where production was not affected by future model changes the same seems to have been true for most other manufacturers. With all but Vauxhall—which worked for three weeks—open for only two weeks of the month, the production of 63,000 cars represented a weekly rate of about 29,000, compared with the previous best this year of 27,667 in May.

Home sales have been rather disappointing to the trade after their eruption in May. They remained at about 73,000 in July after dropping to this level in June, more than 10 per cent below sales a year before; but they seem to have recovered in August, and may prove as much as 20 per cent higher than last year. If many other industries followed the motor industry's example in giving its staff their holiday in July instead of partly in August, some buying might have been transferred from one month to the other; with stocks generally adequate, the absence of production would affect sales little. The new models coming onto the market now should help to offset the seasonal decline if they are available in large enough numbers to satisfy demand. There are many disappointed car owners who find that the continued if by now gentle decline in used car prices makes buying a new model too costly for them. The boom that will come when such owners return to the market still remains the gleam of hope in the motor industry's eye. New models are the only means at its disposal to tempt them to do so.

CAR EXPORTS

Losses and Gains

SHIPMENTS of British cars remain about 60 per cent above the 1961 level, and the total for the year should not be very different from the 569,000 exported in 1960. But the recovery has come from higher shipments to Europe—often, it seems, to build up stocks as much as in response to higher sales—and to the Commonwealth markets, now more prosperous than a year ago. The North American market, where the sudden fondness for British cars had accounted for the export boom of 1959-60, has proved less faithful than the industry had hoped. Sales in the United States were, at 28,000, 30 per cent lower in the first half of this year than a year before, though shipments were 44,000, four times the 1961 figure. Stocks have therefore risen, and it is not surprising that by July shipments had dropped below 5,000—roughly to the rate of sales.

Standard-Triumph and Jaguar are the only British manufacturers to have done

This announcement appears only as a matter of record.

NEW ISSUE

\$130,000,000

Wabush Securities Corporation

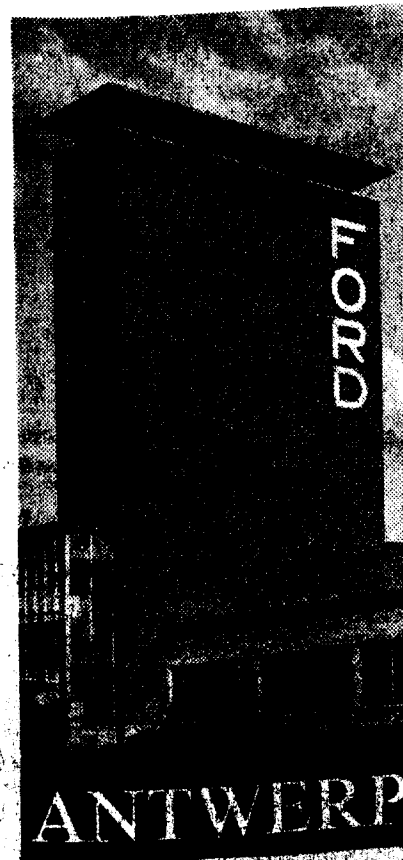
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better in North America this year—both sold about 40 per cent more, helped by new models. The sales of other sports cars remained static, but those of small saloons went on falling. The British Motor Corporation is trying hard to sell the Mini-Cooper models, but the Volkswagen remains the only small foreign saloon that Americans will buy. Its sales rose about 15 per cent to exceed 100,000 in the first six months of this year, nearly 60 per cent of all the foreign cars sold in the United States. Whatever faults its design may contain, the VW has managed to create for itself a fund of good will that no comparable British car has been able to acquire. The reasons for this are all too painfully well known to the owners of imported cars in America, and one assumes they are now appreciated by our manufacturers. But as reputations are slowly won and even more slowly lost, attempts to regain sales by British makers are bound to take a long time.

Canada was not expected to be a good market for British cars this year after the increased import duties imposed last year; but a rise of 23 per cent in total sales was a surprise, and when matched by a fall of nearly 10 per cent in the sales of imported cars it makes the fears for the Canadian motor industry expressed by the Royal Commission last year seem rather unnecessary. Again, Volkswagen has increased its sales, but so have some British cars—notably the Minis. This year's export performance might be taken as showing that all markets are unlikely to go sour at the same time, or that the industry has to keep running to stay ahead of its reputation. Certainly it cannot afford to provide the same standard of servicing in Europe as it appears to have done in America.

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DETERGENTS

New! Miracle-Soft!

WHEN the Technical Standing Committee on Synthetic Detergents recommended last June that soap manufacturers should make as much biologically "soft" material as possible, they were not instructed to do so. The committee did not want to force the industry to increase plant capacity for the existing material because better, softer detergents were on the way. Shell's announcement that it is to build a urea wax plant, to be completed by the middle of 1964, indicates—if obliquely—that at least one sort of softer detergent will be available in Europe in two years. Another manufacturer, Marchon Chemicals (a subsidiary of Albright and Wilson), is completing a plant by the end of 1963 which will provide the "soapers" with primary fatty alcohols from which they can make a different sort of soft detergent. The other British manufacturer of detergent base material, Grange Chemicals, is carrying out research to produce its own soft material and hopes to show some results in a couple of years. The combined efforts of these manufacturers should have put an end to foam on rivers—the outward sign of pollution by detergents—by the end of 1964.

The most important type of detergent is alkyl benzene sulphonate, made by sulphonating (the soapers' job) alkyl benzene, or detergent alkylate. The Jephcott committee found that "hard" detergents, which pass through sewage works unaffected, have branched side-chains (the alkyl part) while detergents with straight chain structures were biologically degraded. Until four years ago, the side-chains in detergents were derived from propylene tetramer, an olefine with a highly-branched structure. Then Shell introduced "Dobane JN" in which the olefines for the side chain came from Shell's wax-cracking process, and contained a high proportion of straight chains. Detergents based on this alkylate were tested on a large scale and as a result the Jephcott committee recommended their use.

Meanwhile, Shell's research (carried out in association with the German firm of Edeleanu) had been directed toward producing an olefine containing straight chains only. This is to be the product of their new plant at Pernis in Holland, where waxes from the oil refinery will be treated with a solution of urea that extracts straight-chain paraffins. The paraffin waxes are thermally cracked, and suitable olefines from the process are sent to Shell Haven where they are reacted with benzene to make alkylate. Detergents made from this alkylate are completely soft; and when the new Pernis plant is completed the production will be sufficient to meet Britain's needs. Marchon's production will be enough to satisfy a large part of the British market as well, but this may be no problem. Several countries on the Continent are considering legislation against hard detergents and the European market should be large enough to absorb any soft detergents that are made.

BRAZIL

How to Deter Investors

WEIGHING the possible profits of inflation against the vagaries of the political climate has long been the lot of the investor in South America. Brazil now seems determined to deter all but the most starry-eyed optimists. At present both the Chamber of Deputies and the Senate are championing separate bills to limit the remittance of foreign profits; with the elections only a month away neither looks like reaching the statute book, but the squabble is bound to have made businessmen wary.

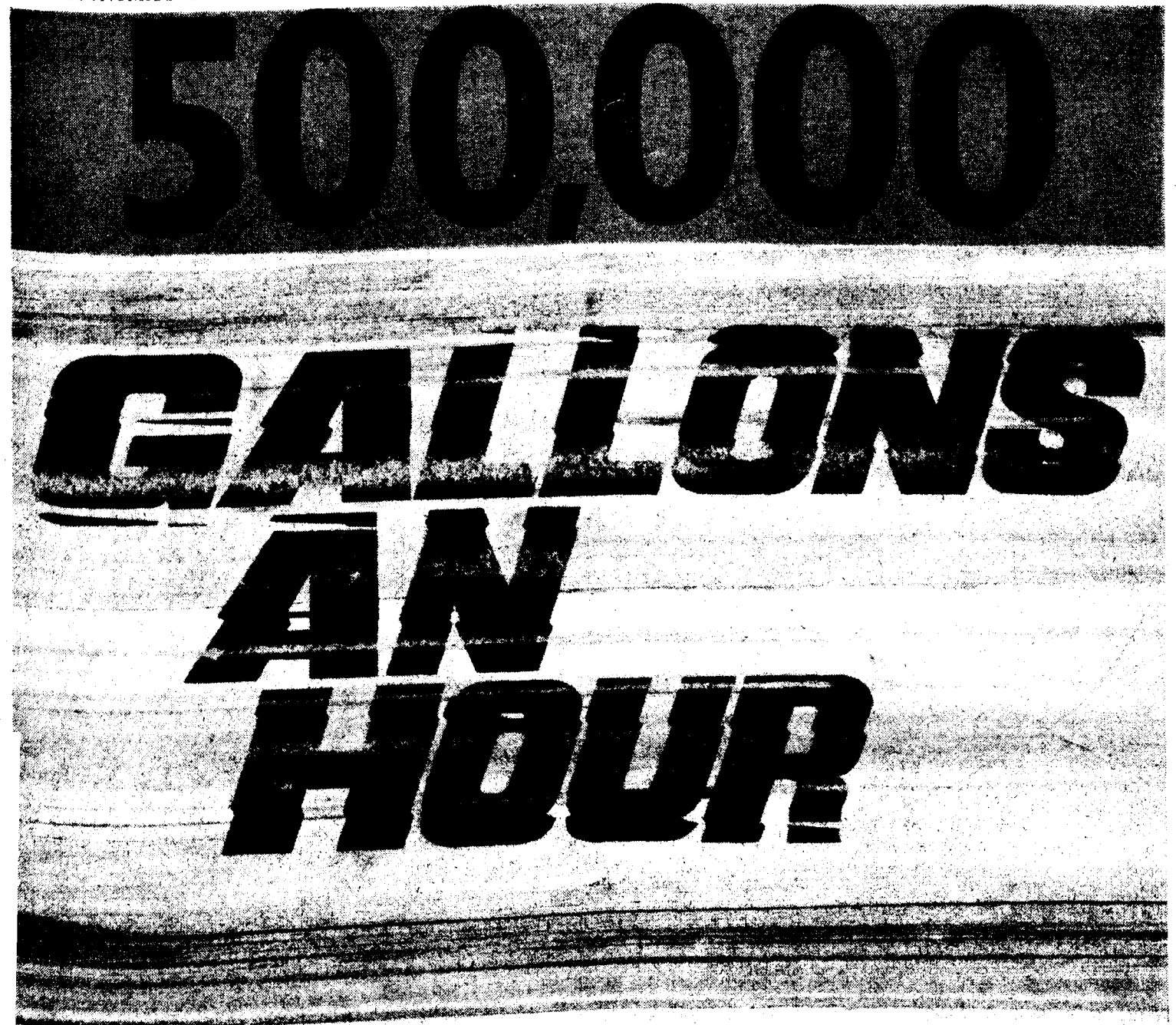
The trouble started last November when the Chamber of Deputies passed a bill limiting the remittance of foreign owned profits and capital. The Senate thought the bill too harsh; it amended the bill and passed it back to the Deputies. The two houses finally agreed to set up a congressional committee on the bill, which eventually produced a draft bill which the Senate then passed. The bill went to the Deputies, who reinserted their original clauses. This was the bill that recently emerged from the Chamber of Deputies ready for the president's signature. The bill limits the remittance of profits to 10 per cent in any one year and repatriation of capital to 20 per cent. So far the president has done nothing, but the Senate has reacted by passing a new bill that contains the more liberal provisions of the original compromise bill. This bill distinguishes between productive and unproductive investment, limiting the latter to an 8 per cent remittance limit and leaving the former free of restrictions. What is and what is not productive would be decided by the National Economic Council. The bill also permits unremitted profits to be added to the capital, so increasing future remittances. Businessmen hope that this bill will provide the president with a good reason for not signing the more extreme measure of the Chamber of Deputies.

OVERSEAS TRADE

Swings and Roundabouts

IN the three months to July, total imports into Britain rose by 5 per cent above the February-April level. Much of the increase has been in fruit, vegetables, cereals and feeding stuffs and should prove temporary; imports of fruit and vegetables already appear to be tailing off. Imports of industrial materials rose by 4 per cent—another indication that the protracted period of stock reductions in industry may have run its course. By contrast, imports of finished manufactures which had risen strongly when demand was high were cut by 2 per cent in May-July, though the level of imports of manufactures in July itself was high.

The further gain in exports, which raised them by 4 per cent in May-July compared



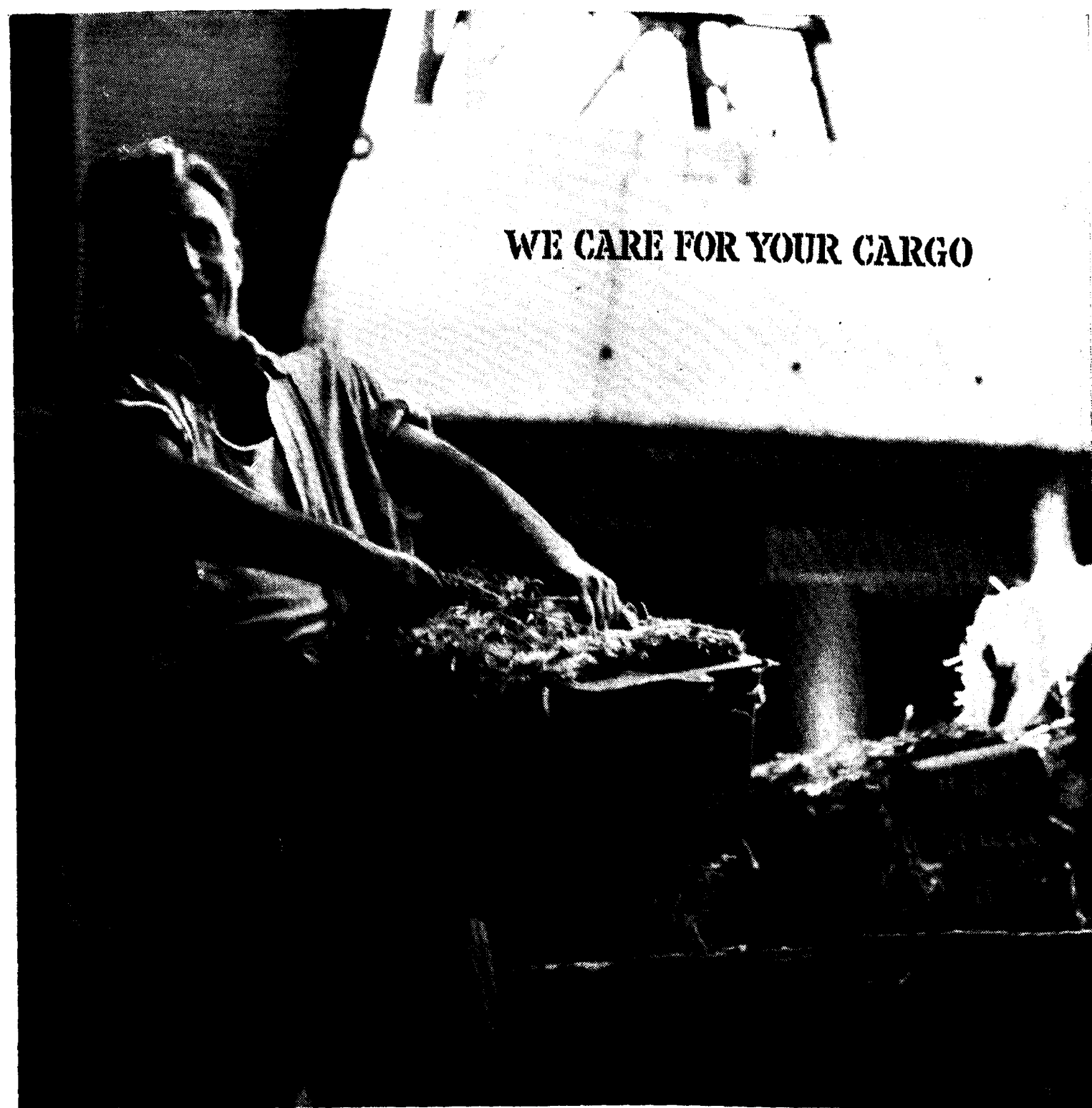
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with the previous three months, was unusually well balanced, though some of the improvement was caused by special factors. But the pattern of exports has altered considerably over the past year. Exports of most foods, beverages and tobacco, contracted in the first seven months of this year, compared with 1961, but barley exports rose by £4.9 million and exports of whisky by £4.3 million, dwarfing the numerous falls. The rise in exports of basic materials was mainly in exports of iron and steel scrap which were recently allowed again, though shipments of cut man-made fibre staple and synthetic rubbers also rose. Exports of coal and oil products also rose in the first seven months of the year.

Exports of finished manufactures increased by nearly 2 per cent in the seven months, but between industries export fortunes were mixed, and there were exceptional shipments of copper and silver bullion, which together accounted for a rise

EXPORTS (fob)			
(£ million)			
January-July:			
	1961	1962	
Food, Beverages, Tobacco . . .	111.7	117.0	
Barley	1.3	6.3	
Whisky	37.5	41.8	
Basic Materials	79.3	89.3	
Wool and tops	43.0	37.0	
Iron ore and scrap	...	10.3	
Coal and oil products	70.7	81.6	
Fuel oil	7.4	9.8	
Gas oil	11.1	14.2	
Manufactures	1,867.7	1,899.9	
Chemicals	193.0	199.7	
Cotton goods	35.3	28.6	
Man-made fibre yarns and fabrics	18.4	22.8	
Iron and steel	130.8	120.0	
Metal manufactures	96.7	91.3	
Machinery (not electric)	488.8	508.2	
Motors	84.1	132.4	
Aircraft and parts	40.0	26.8	
Ships	45.2	26.3	
All exports	2,180.1	2,241.2	

of over £8 million. Exports of chemicals did well, rising by £6.7 million; gains in some plastics, fertilisers and the like more than offset ground lost in other sections. Tractor exports increased by £6.8 million, machine tools by £4.5 million, excavating machinery by £3.4 million and telegraph and telephone equipment by £3.3 million.

Motor exports rose by £48.4 million, but exports of ships declined by £18.9 million. Aircraft exports dropped £13.2 million, and aero engine shipments dropped by £7.7 million. Exports of chassis for goods vehicles fell by £9 million and other weak spots were iron and steel (down £10.8 million) and cotton goods (down £6.7 million). However, exports of man-made fibre yarns and fabrics rose by £4.3 million and there was a useful rise in exports of scientific and photographic instruments by £3.9 million, to which lenses and optical elements were the main contributors. Exports of arms and ammunition declined by £6.1 million—significant in relation to the total gain in all exports of £61 million, or nearly 3 per cent, to £2,241 million fob in the first seven months of 1962.

GERMANY

Unwanted Ostmark

Frankfurt

EAST GERMAN currency finds itself friendless one again in the Federal Republic. Officially at parity with the west German mark, the Ostmark has depreciated in the open market from 40 west German marks to the hundred at the end of July to around 32. Some west German banks indeed are willing to buy east German currency only if they already know of a buyer. This movement is the more remarkable as it occurs in advance of the Leipzig autumn fair, which normally produces a demand for east German currency. The absence of such demand at present is explained by the reduced attendance by west German businessmen which is expected this year. But another important influence has been the new tension on the Berlin wall.

Trade in the notes of the DDR (German

Democratic Republic) has existed since 1948. Until the erection of the wall a year ago the centre of the market was Berlin, where turnover was large. The supply came from east Germans making personal purchases in west Berlin or other payments not officially authorised by their government. Demand for the Ostmark stemmed mainly from the then still lively personal travel from the Federal Republic to east Germany, and also from private money remittances to relatives and friends in the east. The erection of the wall put an immediate curb on these activities, and sharply contracted the supply—so that the Ostmark at first appreciated. Turnover in the Ostmark was reduced to a small fraction of its former level and the focal point of the dealings moved from west Berlin into west Germany. The remaining buyers of Ostmarks are west Germans and other westerners who can still travel to east Germany. Where the supply now comes from is somewhat mystifying. Part may stem from refugees, but there also appear to be other sources.

BROILER CHICKENS

Pig Cycle for Chicks

THE methods of the factory imported into the farmyard have duly infected chicken rearing, once the peaceable rustic pastime of farmers' wives, with the rabid boom and bust psychology that big business is trying to live down. Symptoms of stock exchange fever became apparent in this field in 1960. Demand for table ready chickens was voracious and profits were plump, at least until towards the end of that year. In 1960, Buxted Chicken came to market. About 250,000 5s. shares were placed by Hambros Bank at 14s. In the following year, Spillers lent the company £500,000 on an unsecured loan stock and took up 250,000 shares at 22s. 6d. with an option to buy a further 150,000 at 27s. 6d. For the year to June 30th, 1962, however, Buxted expects to show a trading loss of up to £20,000; and £40,000 will also have to be written off equipment. No ordinary dividend will be paid. Buxted's shares which had been as high as 35s. in 1961, have now fallen back to 15s. 1½d.; earlier this year they were 12s. 6d. It is a relief that current earnings are described as "satisfactory".

Another broiler victim has been E. F. Fairbairn, which came to market at the very start of the broiler boom in 1962, and gobbled up Chunky Chicks at the beginning of this year. Chunky was then said to be likely to earn roughly the same profit in the year to May 31, 1962 as in the previous year. Fairbairn expected profits in its financial year, which runs to the end of September, to be at least equal to the pre-

vious year's figures. But last week's bid by the Ross group for Fairbairn revealed that Fairbairn's and Chunky's combined profits for the year to September 30th would be less than half their 1960-61 level. Delayed action effects of fowl pest contracted over the past two years are blamed for the decline.

But the chief affliction of chickens since 1960 has been too many would-be producers. Big food groups such as Fitch Lovell and many others started intensive production of chickens, and while consumption has increased sharply, total production broke its bounds and prices crashed. Since March, however, chicken prices have recovered steadily though they are not back to 1960 levels. J. B. Eastwood, which was granted a stock exchange quotation in 1959, reported sharply lower profits a fortnight ago, but forecast much higher earnings in the current year. The company is going ahead with a £1 million investment project to be completed by the end of 1963.

Output of chickens is expected to fall this year and some mushroom enterprises have been forced out of the business. The immediate outlook looks brighter, long-term prospects seem sound, and the development of broad-breasted broilers proceeds at an astonishing pace. But there are obviously some of the elements of that familiar phenomenon of agricultural economics, the pig cycle of high prices followed by over-production and slump, in this business.

SUPERMARKETS

Enter Gussies

WITH supermarkets so fashionable, fast growing and still a profitable branch of retailing, it is only a matter of time before the more active existing retail chains decide to spread into them. Great Universal Stores took the plunge last week by buying a 51 per cent interest in William Cussons, a private company that controls 60 food shops—of which 40 are self-service or super-markets—in the Midlands and Northern England. It has extended its offer to the minority shareholders. So far GUS has chiefly been interested in food as something that its seven mail order companies can sell through the post, a slightly odd way of buying food for a country as small as Britain but one that GUS plans to expand alongside its new supermarket interests. At least it is safe in assuming that the two methods are unlikely to be competing for the same customers.

The management of Cussons is being taken over with the company, and Mr Kenneth Sampson—who succeeds the retiring chairman, Mr Austen Hudson—will take charge of all food retailing in the GUS group. Opening new supermarkets, especially in the midlands and southern England, looks like being his main activity. With the funds of GUS available, only the difficulty of finding good sites is likely to put much of a brake on expansion; about a dozen are said to have been found already. Now that furniture and other durable goods seem long past their days of growth, and clothing can hardly be expected to produce any dramatic changes, entering the supermarket business should give GUS a chance

of preserving its reputation as a growth stock.

Competition, however, is going to get stiffer, for GUS is not the only newcomer to the British supermarket trade. Safeways Foods, the American company whose then rather abstract desire to open supermarkets in Britain received much publicity last February, has now revealed that it is negotiating with John Gardner, a catering company which owns eight supermarkets in southern England and is planning to open several more. Entering the market through a company with experience of British conditions would probably be the simplest way for a foreign company; British habits are in many ways different from American. The isolated suburban supermarket, surrounded by its car park, that has proved so successful in America is a rather less attractive venture when a large proportion of shoppers lack a car. The heavy losses reported for the multi-storey car park attached to the Tesco discount store at Leicester rather confirms the belief that the British have yet to become car-borne shoppers.

TIN

Market Reassured

TIN from the United States' strategic stockpile is to come on to the market from September 12th at a rate that would take 35 years to clean out the entire stock. When the last of the strategic tin is sold, greybeards might recall that the announcement of the first sales was greeted by a rise in prices. That, indeed, seems to have been the intention of the American officials, who have managed to manoeuvre tin buyers into the frame of mind where this could happen. After the protracted discussions and drop

THE ECONOMIST SEPTEMBER 1, 1962

in tin prices, the projected releases were passed over by the market, if not by producers, as unexceptional—not the great watershed in the tin market that everyone had earlier believed they would prove. The disposal scheme might now be accepted as a model of restraint and forbearance, though the rate of releases looks uncommonly like the one the United States appeared to have in mind before all the arguing with producers began.

The initial sales programme has been mapped out only for the fifteen weeks from the middle of September to the end of the year. Offers consistent with prevailing market prices will be accepted and if sales have a significant impact on the market the disposal plan will be reconsidered. Two hundred tons of tin a week will be offered; but 40 tons of this will be absorbed by government agencies or foreign aid. About one-third of the tin will be of a quality which should not compete directly with the tin dealt in on the London market. Any part of the 200 tons of tin not disposed of each week will not be carried forward either.

On the evidence of the market's capacity to digest other people's stockpiles in recent years, the burden does not appear unsupportable, though the thought of the immense quantities still to be released might be staggering. Stocks built last year have been brought down to normal levels, though consumption has been lower than producers hoped. The shortfall in tin production has probably been exaggerated, but is still a fact. It should over a reasonable period take care of the quantities which the United States seems likely to release, though change might be made as frequently in the disposal programme for tin as for rubber. Spot tin has risen to £855 and for the time being the buffer manager is not required to make support purchases at £850.

SHORTER NOTES

Britain's delegation to the meetings of the International Monetary Fund and other institutions which open in Washington on September 17th will as usual be headed by the Chancellor of the Exchequer. Mr Maudling will be accompanied by Mr Edward du Cann, economic secretary to the Treasury, and Captain T. M. O'Neill, minister of finance in Northern Ireland. Both the outgoing and incoming joint permanent Treasury chiefs, Sir Frank Lee and Mr William Armstrong, will attend, and also Sir Denis Rickett, Mr Alec Cairncross, and Mr D. B. Pitblado. They will be joined by Mr Maurice Parsons of the Bank of England.

*

Barley: A note in these columns last week referred to the absence so far this year of the customary price guide put out by the National Farmers' Union for barley producers. The working party responsible

for calculating this "indicated value" is however an independent body consisting of representatives of farmers, compounders of feeding stuffs and corn and agricultural merchants. It met again on Wednesday and though still unable to give a price indication in the usual form gave as its opinion that 17s. 6d. a cwt. was a reasonable price.

COMPANY AFFAIRS

Comments on pages 845 and 848 on:
Eastwoods Triplex (Holdings)
Carreras Albright and Wilson
Powell Duffryn William Cory
Philips NV International Tea

STOCK PRICES AND YIELDS

Stock prices, yields and security indices on pages 846 and 847

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 849

DONALDSON TEXTILES LIMITED

("Donbros" Ladies' and Men's Knitted Outerwear and "Copley" Hand Knitting Yarns)

RECORD GROUP SALES

The sixteenth annual general meeting of Donaldson Textiles Limited was held on August 28th in London, Mr Alasdair Donaldson (the chairman) presiding.

The following is an extract from his circulated statement: Our trading profit again is in excess of the previous year's figure, but due to the incidence of increased taxation and depreciation, the net profit shows a small decrease compared with last year.

The Consolidated Trading Profit amounted to £504,720 compared with £467,469 in the previous year. The net profit is £175,769 against £183,704 in 1960/61.

In the period under review, the sales of your Group again increased to a record level.

We live in an exciting time of major technical development within our industry. New types of knitting machinery are being produced—new types of man-made fibres to use on these machines continually become available. These developments open up a field of research for improving existing products or introducing new ones which a few years ago we could not envisage. We intend to pursue these opportunities by continually endeavouring to develop still further our research, technical and selling skills.

Our sales to overseas countries improved considerably during the period showing an increase of approximately 25 per cent against 1960/61.

The European markets have shown substantial gains but perhaps it is disappointing that the lack of continuity in the importing policies of some of our traditional Commonwealth markets prohibits similar opportunities in these areas.

Encouraging as this may be, perhaps it is prudent to again draw attention to the rapid increase of imports of knitted textiles to this country during 1961. An increase from £14.7 million in 1960 to £18 million in 1961 cannot be ignored. We must be sufficiently realistic to accept that it is the declared intention of Government policy to continue a further liberalisation of trade but it would be foolish to shut our eyes to the increased competition which this creates in our domestic market.

Your Directors consider that it would be the wrong policy for your Company, as distributors, to be tied to one home manufacturer.

In February last, we introduced a new range of nylon stockings under our own "Donbros" brand and this range is now being promoted by a strong selling campaign which, to date, has shown encouraging results.

The Future: Undoubtedly there has been a slackening of activity in certain parts of the knitting industry over the last six months. It seems apparent that generally retailers have not had a buoyant Spring selling season which has created a cautious approach to Autumn buying. Nevertheless, the current productive activity of your Group remains high and we look forward to this continuing. We would like to assure you that our policy is to continue to explore all avenues for further expansion.

The report was adopted and a total dividend of 12½ per cent (same) approved.

BRITISH MATCH

RESULTS 1962

Group profit before tax was £3,355,000 compared with £3,344,000 for 1961. This year a change in policy reduced the charge for depreciation. A final dividend of 1s. 4d. per £1 stock is recommended, again making 2s. 0d. for the year.

Overseas profits were well maintained and in Canada Kootenay Forest Products had a much better year. At home profits were lower. Turnover of Airscrew-Weyroc increased in face of keen competition but margins suffered.

THE MATCH INDUSTRY

U.K. sales were hit by the Chancellor's 10% surcharge on revenue duties. The surcharge on matches was removed in April 1962.

The group interest in The Lion Match Co. of South Africa has been increased from 34% to 62%.

DIVERSIFICATION

Airscrew-Weyroc has acquired the wood chipboard factory of the Bartrev Board Co. and is building a fourth plant at Hexham. Bryant & May has acquired Waeco, manufacturers of pyrotechnics and 'Wessex' fireworks.

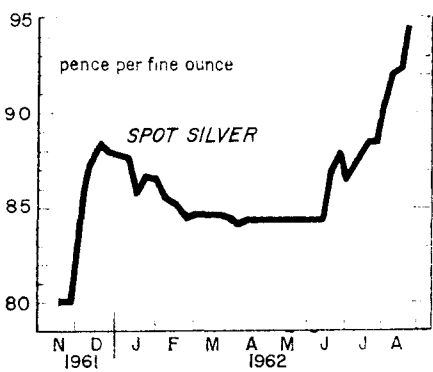
The group now has 24% of its assets outside the match industry. It is still the board's policy to diversify into selected industries which have an affinity to its main activities. These include wood chipboard, woodpulp mouldings and packaging.



Report and accounts may be obtained from
British Match Corporation Ltd., Fairfield Road, London E.3

SILVER SPURTS

An upturn in silver at about this point in the year had been expected in view of the low level of sales by China and the shortfall in supplies of newly mined metal. The rise, however, has been steeper than foreseen. Spot silver has risen 6½d. to 95½d. a fine ounce this month, half the rise occurring in the past week. Mexican authorities are believed to have sold some of the silver they bought to support the price when it dipped earlier in the year.



THE DOXFORD AND SUNDERLAND SHIPBUILDING AND ENGINEERING CO. LIMITED

TRADING CONDITIONS SHOW FURTHER DETERIORATION

The annual general meeting of The Doxford and Sunderland Shipbuilding and Engineering Co. Limited will be held on September 18th in London.

The following is an extract from the circulated statement of the chairman, **Dr J. Ramsay Gebbie, CBE**:

Consequent upon the decision to alter the accounting date, which was announced to members earlier this year, the accounts cover the period of nine months ended March 31st last and include the operations of both former Doxford and Sunderland Groups.

Since my last Statement conditions in the Shipping and Shipbuilding Industries have further deteriorated and the general situation now is worse than at any time since the early 1930's.

As might be expected, the Group has been adversely affected. Group Profit before Taxa-

COMPANY MEETING REPORTS

tion for the nine months ended March 31, 1962, amounts to £723,097, compared with the aggregate profit of the former Doxford and Sunderland Groups, for the years ended June 30, 1961, and March 31, 1961, respectively, of £1,615,726.

This reduction in profit was forecast in my last year's Statement and I feel I must warn Stockholders that I can see no possibility of avoiding a further drop in the rate of profit for the current year.

After outlining the reasons for the board's decision to recommend a lower dividend at the rate of 10 per cent, and reviewing the operations of the Subsidiary Companies, the chairman continued:

I have already referred to the present conditions existing in our Industry and I repeat that at the moment I can see no prospect of any immediate improvement in the extremely depressed state of shipbuilding. Trampship freights, instead of improving as many thought they would, have continued to decline, whilst the oil tanker market still remains depressed.

Despite adverse circumstances all of our three shipyards have obtained some new orders, though insufficient to keep them fully occupied during the current year, but the prices at which these orders have been obtained leave little or no margin for profit. Fixed prices are now, of course, the general rule, and any rises in the

THE ECONOMIST SEPTEMBER 1, 1962

cost of wages or materials must be borne by us.

The Group has now been in existence for about fifteen months and many of the advantages expected of the merger have materialised, though the full benefits are yet to be reaped.

My co-directors and I feel confident that the competitive ability of the Group, together with efficient and vigorous exploitation of the Group's resources, will ensure its future success.

BOARD RETIREMENTS

I have been with Doxford since 1930 and have been Chairman since 1957. I have passed the three-score years and ten and feel I should now leave the conduct of the Company in younger hands.

We are fortunate in having in our Deputy Chairman, Sir Henry Wilson Smith, KCB, KBE, a most able and experienced industrialist to succeed me as Chairman.

Dr E. P. Andreae has also decided to retire from the Board at the same time as myself, he having reached an even more advanced age than I. Dr Andreae has been a Director of Doxford since 1935 and was Chairman from 1936 until he retired in my favour in 1957. Your Company owes him an immense debt of gratitude for all he has done towards building it up to its present position of eminence in the Industry.

SIR LINDSAY PARKINSON

Mr A. E. Parkinson, the Chairman, presided at the twenty-fifth Annual General Meeting of Sir Lindsay Parkinson & Co. Ltd. held on August 30th in London. After outlining the financial results for the year ended December 31, 1961, Mr Parkinson said "It is pleasing to note that this is the ninth successive year for which I have been able to report higher profits."

Year to December 31st	1958	1959	1960	1961
Group profit before tax	£270,500	£308,146	£356,601	£404,581
Taxation	134,997	159,905	157,643	179,693
Group net profit	135,503	148,241	198,958	224,888
Ordinary dividend (less tax)	27,282	55,125	55,125	60,637
Revenue reserves and unappropriated profit	722,107	801,289	923,438	1,069,247

The following are extracts from his circulated Statement: We are maintaining the diversified nature of the contracts secured. The Building Department continues to execute substantial contracts for Government Departments, Public Authorities, etc. The turnover of our Civil Engineering department has again increased. Very satisfactory progress has been made with the work on all the contracts we have in hand.

among others, have recently secured a contract for the reconstruction of the South Pier, Great Yarmouth.

Sales in Speculative Housing have been affected by the credit restrictions, but demand for our properties continues at a substantial level. Our Open-cast Coal turnover was also substantial and our long-term contracts continue.

Our Nigerian subsidiary had a year of increasing activity and has secured a number of important contracts. In Ghana, in association with John Howard & Co. Ltd., we have obtained two further Government contracts at Tema, valued at some £8 million.

Our work in hand at present is in excess of £20 million and we are confident of continuing our activities on the same high level.

WIDE RANGE OF ACTIVITIES

On the M6 Birmingham-Preston Motorway contract, we are confident that we shall complete within the specified time. We are continuing to tender for large projects, both in open competition and upon selected tender lists and,

Sales record for International Stores

Extracts from the Statement of **Mr Frank Hawkins**, the Chairman, for the year ended April 28, 1962:

New records in turnover and profits were achieved despite price-cutting competition which made it necessary to operate on narrow margins. The biggest increases came from shops made it necessary to operate on narrow margins. The biggest increases came from shops converted to self-service in the past few years. We plan to open a further 90 self-service shops during the current financial year and the construction of two large supermarkets is well advanced. Our main subsidiary, George J. Mason Limited, is making excellent progress.

	1962	1961
Profit before Tax	£2,142,544	£1,903,416
Tax	£1,090,928	£956,344
Dividends—Ordinary (12½%)	£474,688	£474,688
Preference	£129,097	£129,097
Capital Employed	£15,377,379	£14,766,646
Self-Service Branches	406	322

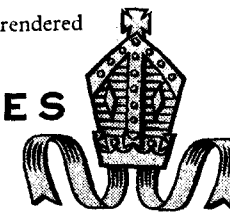
Annual General Meeting—1st October, 1962

Expenses, especially in respect of increased wages and salaries, have been steadily rising, therefore we must expand our turnover. This we are aiming to do by proceeding with our plans for conversions to self-service and reorganisation of our warehousing and clerical systems to achieve greater efficiency and economies. When our four new warehouses are completed and brought into operation we expect to effect substantial savings. Our factories and bakeries have produced increased tonnage and have made a substantial contribution to Group profits.

I wish to express very real and sincere appreciation of the services rendered by all members of the Staff.

INTERNATIONAL STORES

(The International Tea Company's Stores Limited)



THE RAFIDAIN BANK

(Incorporated in Iraq with limited liability)

STATE BANK OF IRAQ. HEAD OFFICE: BAGHDAD

BALANCE SHEET AS AT 31st MARCH, 1962

LIABILITIES		ASSETS	
AUTHORISED CAPITAL	ID. 5,000,000	CASH IN HAND, AT CALL AND AT BANKS	ID. 15,106,900
PAID-UP CAPITAL	4,905,298	GOLD BULLION (for Trading), at cost	102,424
RESERVE FUND	2,550,000	IRAQ GOVERNMENT AND OTHER SECURITIES	1,039,177
PROFIT AND LOSS ACCOUNT—As per Profit and Loss Appropriation Account	3,929	At or under cost	
		BILLS DISCOUNTED, ADVANCES, ETC. (Less Provision for Doubtful Debts):—	
CURRENT DEPOSIT AND OTHER ACCOUNTS	34,907,424	Bills Discounted	8,772,667
SUNDRY CREDIT ACCOUNTS (Including ID. 1,800,000 long-term liability)	4,052,270	Advances, etc.	18,518,574
PROVISION FOR INCOME TAX	491,000		
		SUNDRY DEBIT ACCOUNTS	27,291,241
CREDITS, GUARANTEES, ETC., ON ACCOUNT OF CUSTOMERS	39,450,694	LANDS, BUILDINGS, FURNITURE AND FITTINGS	1,612,071
		At cost, less depreciation	
		OFFICIALS' HOUSING SCHEME—Net cost of Land and Buildings, less instalments received	1,226,346
		CUSTOMERS' LIABILITY FOR CREDITS, GUARANTEES, ETC., Per Contra	531,762
	ID. 61,592,091		14,682,170
			ID. 61,592,091

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 1962

Total Charges, including depreciation	ID. 777,957	Total Income	ID. 2,024,156
Profit for the year ended 31st March, 1962, carried down	1,246,199		
	2,024,156		2,024,156

PROFIT AND LOSS APPROPRIATION ACCOUNT FOR THE YEAR ENDED 31st MARCH, 1962

Provision for Income Tax:—	ID. 490,550	Balance brought Forward as at 1st April, 1961	ID. 6,869
On results of year ended 31st March, 1962		Profit for the year brought down	1,246,199
Less: Over-provision on previous years	439		
Transferred to Paid-up Capital	490,120		
Transferred to Reserve Fund	189,019		
Balance carried Forward as per Balance Sheet	570,000		
	3,929		
	ID. 1,253,068		ID. 1,253,068

ID.1—£1 Sterling.

MAIN LONDON OFFICE: 13 & 14 KING STREET, E.C.2

Telephone: MONarch 7437 and 9580

Telegraphic Address: RAFIDBANKO

Branches throughout Iraq and in the Lebanon and Jordan

ANOTHER RECORD YEAR

from the Chairman's report to the Shareholders

I have pleasure in presenting to you the Report of the Directors and the Accounts covering yet another successful year in the Company's history. In March 1961 your Directors anticipated that the net profits for the year ending March 31, 1962, would be not less than £250,000. I am pleased to report that this forecast has been exceeded. The net profit for the year to March 31, 1962, was £425,074, an increase of £175,074 over the estimate made last year. Your Directors have decided to recommend a final dividend of 25 per cent making a total for the year of 35 per cent as compared with 30 per cent paid last year.

The actual Capital employed in the Company is now substantially in excess of the Issued Share Capital, and your Directors recommend that there be issued by way of capitalisation of reserves one additional share for every four shares now held.

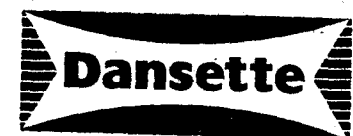
Resolutions will be proposed as Special Business at the Annual General Meeting increasing the authorised share capital from £280,000 to £500,000 and giving effect to the proposed capitalisation. A further resolution to dispense with signatures on share certificates will have the effect of bringing those used by the Company into line with present day practice.

During the year we increased our manufacturing facilities by the acquisition of two modern radio factories in North West London.

In our new additional premises we have greater facilities for research and design and many new products are being developed. For example, our newly designed record players are now being marketed with great success. The benefits of this research and design will continue to be felt in future years.

We are continuing our policy of increasing our range of products under the trade name of Dansette and at this year's National Radio Exhibition we shall be launching our first tape recorder.

Although it is difficult at this juncture to forecast the final results for this current year, your Directors are satisfied that your investment will continue to prosper and anticipate that they will be able to recommend maintaining the dividend at 35 per cent on the increased issued capital.



DANSETTE PRODUCTS LTD.

112-116 Old Street, London, E.C.1.

BRITISH TAR PRODUCTS LIMITED

MR F. WOOLLEY-HART'S REVIEW

The forty-second ordinary general meeting of British Tar Products, Limited was held on August 30th in London. **Mr F. Woolley-Hart, OBE** (the Chairman), presiding.

The following is an extract from his circulated review:

The Trading Profit and other income at £86,279 shows a reduction of some £30,000 as compared with last year, and the reasons for this heavy fall in Profit are given later in this Address.

In view of the results for the year your Board feel that a reduction in the distribution should be made. They recommend a Final Dividend of 5 per cent less Tax, making 7½ per cent less Tax for the year, a transfer of £10,000 to General Reserve Account and an increase in the carry-forward of £5,125.

TRADING REVIEW

Tar and Benzole Products: The demand in many sections has been disappointing with buying resistance naturally bringing about declining profit margins.

COMPANY MEETING REPORTS

Reduced supplies of certain raw materials have in some sections resulted in a position of considerable surplus productive capacity with the inevitable effect of transferring the burden of uncovered overhead charges to more actively employed plants.

This has been particularly conspicuous in the case of Benzole where cheap imported supplies have caused a very serious fall in the demand for home produced material and a further adverse effect on the results of our Benzole Refining has been brought about by the change in the type of the limited supplies of raw materials which have been available to us.

As was foreseen, the world Naphthalene position has now swung to over-production and whilst we concentrate mainly on the manufacture of a very high grade refined product, even here the demand has been irregular.

Hydrogenation Plant: Operations have not been unsatisfactory although not always in the directions which had been anticipated. Special work in the treatment of various chemicals both by distillation and other refining techniques has shown a welcome increase. Our ability to provide the Chemical Industry with these services gains growing recognition.

Bulk Storage Installation: It is regrettable to have to report a substantial reduction in throughput of materials handled compared with

THE ECONOMIST SEPTEMBER 1, 1962

the previous year, which is a matter entirely beyond our control. We are hopeful that the trend towards increasing usage of bulk liquids will continue and result in extended use being made of the storage facilities which we are able to provide.

Our Methylation Plant is now operational and we have further new projects coming into fruition but all the adverse conditions to which I alluded in my last year's review remain and to them must be added the uncertainty of the possible impact upon us of the Common Market if the negotiations with the EEC result in the acceptance of the UK's application for entry. We cannot hope to escape the adverse effects of ever rising costs and greatly increased competition experienced by undertakings similar to our own. We may well therefore have to resign ourselves to a further period of lower profits than we have been able to achieve in recent years but your Board continue to have great faith in the virility and growth potential of our business.

The report was adopted.

S. HOFFNUNG & CO.

DIVIDEND MAINTAINED

The sixtieth annual general meeting of S. Hoffnung and Co., Limited, will be held on September 20th, in London.

The following are extracts from the circulated Statement of the Chairman, **Mr Pierre J. A. Lachelin**:

Although turnover for the year was only marginally lower, increased costs and increased competition are reflected in a reduction in the profit of the Group, namely from £492,122 to £422,183 before tax. After deduction of taxation and amounts attributable to minority interests, the consolidated profit for the year was £249,446 against £302,346.

In view of the conservative distributions in past years which are reflected in the high level of the reserves and having due regard to current conditions, your Board are recommending a final dividend of 12 per cent., free of tax, which, with the interim of 4 per cent., maintains the annual rate at 16 per cent., free of tax.

Trading conditions in the year under review continued to be difficult. Our sales in Australia are now showing an upward trend. Severe import restrictions in New Zealand are likely to impede trade there, but, on current estimates, our overall investment in New Zealand should give us a favourable rate of return.

On balance, I am hopeful that providing conditions in Australia continue to improve, Group figures for the current year will at least be of the same order as those for the year to 31st March last.

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

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

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COMPANY AFFAIRS

For the second week in succession equity prices on the London stock market moved very little. The new account failed to attract buyers and The Economist indicator gained only 0.7 points to 335.8. The lighterman's strike at London Docks and the setback on Wall Street depressed prices in the middle of the week. After rising soon after the opening of the new account steel share prices fell back later. On Thursday, Bowater Paper fell on the news of the death of the chairman, Sir Eric Bowater. Gold shares rose following relaxations in the South African controls on arbitrage between London and Johannesburg. Gilt-edged stocks moved ahead strongly, with much of the buying concentrated on long and undated stocks.

Breaking Up Eastwoods

ON the score of higher profits and dividends the shareholders of Rugby Portland Cement have no reason to complain of the road on which that ardent and vocal supporter of free enterprise, Sir Halford Reddish, has led them. But occasionally they must feel a little puzzled by the twists and turns that the road has taken. Do they, for example, regard the "A" share scheme as an unqualified success? And what are they to make of the toings and froings in Eastwoods? Within a few weeks of completing its takeover of Eastwoods, Rugby proposes to split its new subsidiary with Redwood Holdings. When the bid was first made, shareholders must have assumed that Rugby was willing, at a comparatively high cost, to digest the whole of the Eastwoods enterprise—cement, bricks, tiles and all. Eastwoods has three cement plants but primarily it is a brick-maker and it seemed odd for Rugby to seek diversity in bricks, which are growing more slowly than cement.

Now, before they have had time to see what they have in Eastwoods, the Rugby directors have agreed to sell Eastwoods non-cement interests to Redland Holdings (which thus secures an extension of its brick-making interests in the North). The suggestion came "out of the blue" from Redland; but the Rugby directors were quick to accept it, and also to disclose it before the details had been worked out for fear of a "leak" on the stock market (as happened when the original bid for Eastwoods was made). Everyone can have second thoughts; but Rugby paid over £11 million for Eastwoods, including £5½ million in cash. Its liquid resources, of over £4 million at the end of March were reinforced by a £4½ million rights issue in May. It will get between £6 and £7 million in cash for Eastwoods' non-cement interests from Redland (which in its turn will have a financing problem on its hand). Thus it should have more than enough to cover the £4 million it intends to spend reorganising and modernising Eastwoods' cement works. But, if their ideas were fixed firmly on further expansion in cement, why were they prepared to pay so much only a few months ago for bricks and tiles as well?

Rugby and Redland will both hold a substantial proportion of Eastwoods whose "character and identity" are to be retained; but there will be no financial link between them. The three companies will work in close co-operation and Redland will be responsible for the distribution of cement manufactured in Eastwoods plants. How this will work out in practice remains to be seen; but the industrial logic of the deal points to an integration of Eastwoods' cement plants with Rugby and of its other interests with Redland—in fact, to a more or less complete dismemberment of Eastwoods.

Carreras

COMPARED with Imperial Tobacco and Gallaher, Carreras, a member of the Rembrandt group, is a lightweight, being responsible for under 5 per cent of the cigarette sales in this country. But the advance in its gross profits from £2,608,000 to £2,939,000 and in net profits from £1,284,000 to £1,509,000 in the year to June 30th shows how remarkably successful it is. The secret lies in concentrating its efforts and advertising expenditures on tipped cigarettes, now about 90 per cent of its production. Tipped cigarettes, on which one pays no duty on unsmoked tobacco and may incur less risk of lung cancer, have grown steadily in this country until they represent a quarter of all sales. But Carreras's own sales rose by as much as a fifth in the latest financial year and it now sells nearly 20 per cent of all tipped cigarettes. Exports were higher and profits again benefited from the agreement to manufacture cigarettes for Rothmans' export trade.

"B" shareholders in Carreras have not been ignored and the dividend, held at 9 per cent in 1960-61 in deference to the request for restraint, has been raised to 11 per cent. At 6s. 4½d. they yield 4½ per cent, covered just over twice. This is well below the yields on Gallaher and "Imps" and obviously assumes that tipped cigarette sales will continue to grow rapidly in this country, where

their 25 per cent share of the market compares, for example, with 55 per cent in the United States and nearly 75 per cent in Australia. But the yield rests on the further assumption that Carreras will not get involved in a slugging match with the heavyweights of the industry. With plain cigarettes in the 4s. 6d. range it pursues evading tactics; but recently in launching a tipped "Piccadilly" brand it began to compete directly with the giants' 3s. 10d. tipped brands such as "Nelson" and "Bachelor." So far the sales of tipped "Piccadilly" have gone well; but the question is whether Carreras can score the same success with this brand as it did earlier with "Guards" in the 3s. 6d. range of tipped cigarettes.

Triplex (Holdings)

IN raising the dividend from 12½ to 15 per cent, the directors of Triplex (Holdings) have restored the payment to the 1959-60 level, as the stock market expected. At 34s. 9d. the 10s. shares now yield 4.3 per cent, covered 1½ times. Profits have recovered, rising from £1,007,000 to £1,245,000 gross and from £460,000 to £504,000 net in the year to June 30th, but they are still below the record level reached in 1959-60. Over the last four half-yearly periods gross profits have run as follows: £348,000; £659,000; £471,000; £774,000. It is clear that Triplex's profits have benefited from the revival in motor sales in this country and in shipments to the United States. These shipments may have an important influence on the latest results, as in 1960-61 the decline in exports reduced the demand for laminated glass and left Triplex's laminating plant working at only a fraction of its capacity. The outlook for the motor industry and its ancillary suppliers is now a little brighter but, understandably, there is no sign that Triplex, which completed its major extensions early in 1961 and which prides itself on always having sufficient capacity to meet peak demand, is investing any big sums in new plant and equipment.

Albright and Wilson



SET against the background of lower margins and surplus capacity in the chemical industry, the half yearly results of Albright and Wilson, summarised in the accompanying table, are reasonably good. Sales were higher and the directors describe trading conditions at home and overseas as "mixed . . . with signs of improvement at some points." They expect profits in the second half of the year to be approximately the same as those in the first half. This is in keeping with an earlier forecast that profits over the full year would not be significantly changed.

These results illustrate that in the

Continued on page 848

THE GLOBE TELEGRAPH AND TRUST COMPANY LIMITED

(Investment Trust Company)

Chairman: Sir Edward Wilshaw, K.C.M.G.



CAPITAL (Authorized)	£10,000,000*
(Issued)	£9,100,000
4% Debenture Stock, 1975/80	£3,542,704

In his address to the Annual General Meeting of Stock-owners held at Electra House, Victoria Embankment, London, on Friday, 24th August, 1962, **SIR EDWARD WILSHAW** reported:

	Year to 30th June	
	1961	1962
CAPITAL (Issued)	£9,100,000	£9,100,000
EARNINGS (Net)	£832,613	£929,546
DIVIDEND	10%	12½%
RESERVES	£6,548,901	£6,842,437
INVESTMENTS (Book value)	£19,359,627	£19,627,882

FUTURE DIVIDENDS The payment of a 12½% dividend for the year to 30th June, 1963, is anticipated.

Over past years there have been scrip and rights issues.

* The Authorized Capital is now to be increased to £12,500,000 but it is not intended to issue any further shares at the present time.

STOCK PRICES

Prices, 1962	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Aug. 22, 1962	Price, Aug. 29, 1962	Net Yield, 1962	Gross Yield, 1962	Prices, 1962	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Aug. 22, 1962	Price, Aug. 29, 1962	Yield, Aug. 29, 1962	Cover
High	Low					High	Low					
100 1/2	100 1/2	Treasury 5 1/2% 1962	100.73	100.68	4.1	105 1/2	79/9	BANKS, DISCOUNT & HP	88/3	86/3	3.01	
99 1/2	99 1/2	Exchequer 3 1/2% 1962-63	99.16	99.16	2.11	105 1/2	61/2	Barclays	81/9	82/3	3.04	
100 1/2	100 1/2	Conversion 4 1/2% 1963	100.73	100.73	1.12	105 1/2	70/6	District	81/9	82/3	3.04	
97 1/2	97 1/2	Exchequer 2 1/2% 1963-64	97.16	97.16	3.1	105 1/2	53/3	Lloyds	81/9	82/3	3.04	
100 1/2	100 1/2	Conversion 4 1/2% 1964	100.73	100.73	2.1	105 1/2	80/-	Midland	81/9	82/3	3.04	
95 1/2	95 1/2	Savings Bonds 2 1/2% 1955-65	95.16	95.16	3.8	105 1/2	72/3	Nat. Provincial	81/9	82/3	3.04	
101 1/2	101 1/2	Exchequer 5 1/2% 1966	101.16	101.16	2.17	105 1/2	40/3	Westminster	81/9	82/3	3.04	
89 1/2	89 1/2	Savings Bonds 2 1/2% 1964-67	89.16	89.16	3.19	105 1/2	34/3	Australia & N.Z.	81/9	82/3	3.04	
100 1/2	100 1/2	Exchequer 5 1/2% 1967	100.16	100.16	3.2	105 1/2	25 1/2	Bank of Montreal	81/9	82/3	3.04	
88 1/2	88 1/2	Funding 3% 1966-68	88.16	88.16	4.0	105 1/2	25 1/2	Bank of New S. Wales	81/9	82/3	3.04	
90 1/2	90 1/2	Conversion 3 1/2% 1969	89.16	89.16	3.19	105 1/2	39 1/2	Barclays D.C.O.	81/9	82/3	3.04	
88 1/2	88 1/2	Funding 3% 1969-70	88.16	88.16	3.19	105 1/2	39 1/2	Chartered	81/9	82/3	3.04	
97 1/2	97 1/2	Conversion 3 1/2% 1970-71	96.16	96.16	3.11	105 1/2	29 1/2	Hongkong & Shanghai	81/9	82/3	3.04	
102 1/2	102 1/2	Conversion 6% 1972	102.16	102.16	3.6	105 1/2	29 1/2	Nat. Com. Bk. Scot.	81/9	82/3	3.04	
97 1/2	97 1/2	Conversion 5 1/2% 1974	97.16	97.16	3.10	105 1/2	29 1/2	Royal Bk. Canada	81/9	82/3	3.04	
97 1/2	97 1/2	Funding 4% 1974-75	97.16	97.16	3.10	105 1/2	29 1/2	Standard Bank	81/9	82/3	3.04	
76 1/2	76 1/2	Savings Bonds 3% 1965-75	75.16	75.16	4.5	105 1/2	29 1/2	Hambros	81/9	82/3	3.04	
75 1/2	75 1/2	Treasury 3 1/2% 1977-80	74.16	74.16	4.3	105 1/2	29 1/2	Schroders	81/9	82/3	3.04	
74 1/2	74 1/2	Funding 5 1/2% 1979-81	73.16	73.16	4.3	105 1/2	29 1/2	Union Discount	81/9	82/3	3.04	
95 1/2	95 1/2	Funding 5 1/2% 1982-84	95.16	95.16	3.13	105 1/2	29 1/2	Lombard Banking	81/9	82/3	3.04	
88 1/2	88 1/2	Treasury 5% 1986-89	88.16	88.16	3.16	105 1/2	29 1/2	Mercantile Credit	81/9	82/3	3.04	
61 1/2	61 1/2	Redemption 3% 1986-96	60.16	60.16	3.17	105 1/2	29 1/2	United Dominions	81/9	82/3	3.04	
65 1/2	65 1/2	Funding 3 1/2% 1999-2004	64.16	64.16	3.15	105 1/2	29 1/2					
94 1/2	94 1/2	Treasury 5 1/2% 2008-12	94.16	94.16	3.12	105 1/2	29 1/2					
67 1/2	67 1/2	Consols 4% after Feb. 1957	66.16	66.16	3.12	105 1/2	29 1/2					
52 1/2	52 1/2	War Loan 3 1/2% after 1952	51.16	51.16	3.10	105 1/2	29 1/2					
59 1/2	59 1/2	Conv. 3 1/2% after Apr. 1961	58.16	58.16	3.10	105 1/2	29 1/2					
52 1/2	52 1/2	Treasury 3 1/2% after Apr. 1966	51.16	51.16	3.11	105 1/2	29 1/2					
44 1/2	44 1/2	Consols 2 1/2% after Apr. 1966	43.16	43.16	3.9	105 1/2	29 1/2					
43 1/2	43 1/2	Treasury 2 1/2% after Apr. 1975	42.16	42.16	3.10	105 1/2	29 1/2					
95 1/2	95 1/2	British Electric 4 1/2% 1967-69	94.16	94.16	3.12	105 1/2	29 1/2					
80 1/2	80 1/2	British Electric 3 1/2% 1968-73	79.16	79.16	3.4	105 1/2	29 1/2					
73 1/2	73 1/2	British Electric 3 1/2% 1974-77	72.16	72.16	3.4	105 1/2	29 1/2					
84 1/2	84 1/2	British Electric 4 1/2% 1974-79	83.16	83.16	3.4	105 1/2	29 1/2					
76 1/2	76 1/2	British Electric 3 1/2% 1976-79	75.16	75.16	3.19	105 1/2	29 1/2					
88 1/2	88 1/2	British Gas 4 1/2% 1969-72	87.16	87.16	3.18	105 1/2	29 1/2					
86 1/2	86 1/2	British Gas 3 1/2% 1969-71	85.16	85.16	4.0	105 1/2	29 1/2					
62 1/2	62 1/2	British Gas 3 1/2% 1990-95	61.16	61.16	3.18	105 1/2	29 1/2					
80 1/2	80 1/2	British Transport 3 1/2% 1968-73	79.16	79.16	3.8	105 1/2	29 1/2					
82 1/2	82 1/2	British Transport 4 1/2% 1972-77	81.16	81.16	4.0	105 1/2	29 1/2					
63 1/2	63 1/2	British Transport 3 1/2% 1978-88	62.16	62.16	4.3	105 1/2	29 1/2					

DOMINION AND CORPORATION STOCKS

Prices, 1962	Price, Aug. 22, 1962	Price, Aug. 29, 1962	Net Yield, 1962
High	Low		
84 1/2	79 1/2	Australia 3 1/2% 1965-69	84.16
100 1/2	96	Canada 6% 1974-76	100.16
66	52	Ceylon 4% 1973-75	52.16
99 1/2	94 1/2	New Zealand 6% 1976-80	99.16
76	62 1/2	Rhodesia and Nyasaland 6% 1978-81	76.16
90 1/2	82	Southern Rhodesia 6% 1965-67	90.16
60	48	Southern Rhodesia 4 1/2% 1967-72	59.16
85 1/2	77 1/2	Agricultural Mortgage 5% 1959-89	85.16
90 1/2	86	Birmingham 4 1/2% 1967-70	90.16
93 1/2	88 1/2	Bristol 5% 1971-73	93.16
93 1/2	88	Corporation of London 5 1/4% 1976-79	93.16
49 1/2	44	L.C.C. 3% 1967-70	49.16
90	84	L.C.C. 3% 1980-83	90.16
93	87	Middlesex 5 1/2% 1980	93.16

NEW YORK PRICES AND INDICES

	Aug. 22	Aug. 29		Aug. 22	Aug. 29		Aug. 22	Aug. 29
	\$	\$		\$	\$		\$	\$
Atch. Topeka	22 1/2	22 1/2	Boeing	43	40 1/2	Int. Harvester	47	46 1/2
Can. Pacific	21 1/2	20 1/2	Celanese	35 1/2	36 1/2	Inter. Nickel	64 1/2	60 1/2
Pennsylvania	11 1/2	11 1/2	Chrysler	57 1/2	54 1/2	Inter. Paper	27	26 1/2
Union Pacific	30 3/4	30 3/4	Col. Palmolive	42 1/2	39 1/2	Kennacott	71 1/2	68 1/2
Amer. Electric	62 1/2	62 1/2	Crown Zeller	41	42 1/2	Monstanto	39 1/2	38 1/2
Am. Tel. & Tel.	114 1/2	111 1/2	Distillers Seag.	42 1/2	40 1/2	Nat. Distillers	24 1/2	24 1/2
Cons. Edison	77 1/2	77	Douglas	26	24 1/2	Pan-American	19 1/2	19 1/2
Int. Tel. & Tel.	43 1/2	41 1/2	Dow Chemical	48 1/2	48	Procter Gamble	70	68 1/2
South'n. Nat. Gas.	44 1/2	43 1/2	Du Pont	199 1/2	198 1/2	Radio Corp.	48 1/2	47 1/2
United Corp.	7 1/2	7 1/2	East Kodak	100 1/2	100 1/2	Sears Roebuck	74 1/2	73 1/2
Western Union	29 1/2	28	Ford Motor	45	43 1/2	Shell Oil	35 1/2	35 1/2
Alcoa	60 1/2	59 1/2	Gen. Electric	69 1/2	67 1/2	Socony-Mobil	51 1/2	51 1/2
Aluminium	24	22 1/2	General Foods	70 1/2	69 1/2	Stand. Oil Ind.	44 1/2	44 1/2
Amer. Can.	45	43 1/2	General Motors	53 1/2	52 1/2	Stand. Oil N.J.	52 1/2	52 1/2
Am. Smelting	52 1/2	51 1/2	Goodyear	29 1/2	29 1/2	Union Carbide	93 1/2	89 1/2
Am. Viscose	55 1/2	54 1/2	Gulf Oil	35 1/2	36 1/2	U.S. Steel	44 1/2	43 1/2
Anaconda	42 1/2	41 1/2	Heinz	46 1/2	46	West. Electric	29 1/2	27 1/2
Beth. Steel	32 1/2	31 1/2	Int. Bus. Mach.	49 1/2	49	Woolworth	69 1/2	68 1/2

Standard and Poor's Indices (1941-43=100)

	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
Aug. 1	60.46	3.56	27.88	5.77	56.74	3.64	88.39	4.04
" 15	60.20	3.58	27.87	5.83	56.17	3.65	89.01	3.98
" 22	61.48	3.50	28.00	5.76	56.15	3.61	89.12	3.98
" 29	62.67	3.44	28.49	5.66	57.78	3.55	89.64	3.92
" 31	61.38	3.51	28.35	5.69	57.38	3.58	89.43	3.94

425 Industrials: High, 75.22 (Jan. 3). Low, 54.80 (June 26).

* Ex dividend. † Tax free. ‡ Assumed average life, 7 1/2 years. § The net redemption yields allow for tax at 7.9d. in £. || Ex capitalisation. ¶ Ex rights. ** Ex all. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 0d. per share. (e) Flat yield. (f) Flat yield. (g) Equivalent to 7 1/2 sterling. (h) After Rhodesian tax. (i) To latest date. Japanese prices supplied by Daiwa Securities, Tokyo.

FOREIGN AND OVERSEAS STOCKS

	Aug. 22	Aug. 29	Aug. 22	Aug. 29	Aug. 22	Aug. 29
	£	£	£	£	£	£
FRANCE			GERMANY			
Air Liquide	1,193	1,165	A.E.G.	406	398	
Banque de Paris	515	510	Bad. che. Anilin.	403	399	
Citroen	187	183	Bayer	470	459	
C. F. Petrole.	288	280	Commerzbank	415	410	
Cie. G. d'Elect.	1,295	1,265	Deutsche Bank	450	448	
Machines Bull.	515	500	Hoechst Farb.	397	392	
Pachymer	249	246	Kundenkredit	376	374	
Procter Gamble	531	517	Lowenbrau	880	890	
Rhone-Poulenc	449	425	Manassmann	223	219	
S.J.M.	363	364	Siemens	587	572	
Saint-Gobain	382	372	Thyssen-Huetten	180	174	
Usinor	211	205	Volkswagen	515	513	
Index	99.5	98.0	Herstatt Index	87.96	87.25	
Dec. 30, 1960=100.			Dec. 31, 1959=100.			
CANADA			AUSTRALIA			
Alcan. P. & P.	46 1/2	45 1/2	Ampol Pet.	12 1/4	11 1/4	
Aluminum	25 1/2	24 1/2	Ass. Pulp & P.	29 1/2	30 1/2	
Bel Tel.	51 1/2	51 1/2	Aust. Can. Ind.	55 1/2	54 1/2	
Can. Brew. & S.	10 1/2	9 1/2	Aust. Oil & Gas	55 1/2	54 1/2	
Can. Imp. Bank	57 1/2	56 1/2	Brit. Tobacco	25 1/2	25 1/2	
Can. Pac. Ry.	22 1/2	22 1/2	Broken Hill Pty.	54 1/2	53 1/2	
Hiram Walker	54 1/2	53 1/2	G. J. Coles	13 1/2	13 1/2	
Imperial Oil	43 1/2	43 1/2	I.C.I. A.N.Z.	7 1/2	7 1/2	
Noranda Mines	29 1/2	29 1/2	Myer Emporium	31 1/2	30 1/2	
Shawinigan Wtr.	23 1/2	23 1/2	Nippon Elect.	38 1/2	38 1/2	
Steel of Canada	17 1/2	17 1/2	Ready Mix Con.	15 1/2	15 1/2	
Trans. Can. Pipe	20	20	Woolworth	13 1/2	14 1/2	
Toronto Ind.	560	553	Sydney Indust.	288	292	
Index	100	99.5	Dow Jones	1412.76	1414.9	
1923=100.			1937=100.			

AND YIELDS

Prices, 1962		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Aug. 22, 1962	Price, Aug. 29, 1962	Yield, Aug. 29, 1962	Cover	Prices, 1962		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Aug. 22, 1962	Price, Aug. 29, 1962	Yield, Aug. 29, 1962	Cover		
High	Low										High	Low									
ELECTRICAL & RADIO																					
32 1/2	23 1/2	5	a	2 1/2	c	A.E.I.	£1	30/10	31/3	6.40	1	27 1/2	19/9	10	a	20	b	20 1/2	21/6	6.98	2 1/2
12 1/2	9 1/2	15	c	15	c	Brit. Electronic Inds.	£1	9/10 1/2	10/10 1/2	6.90	1 1/2	33 1/2	18/-	20	a	40	b	19 1/2	19 1/2	15.79	1 1/2
66 1/2	51 1/2	4	a	4	a	B.I.C. Corp.	£1	58/6	59/9	4.52	2	52 1/2	33 1/2	16	a	14	b	40/6	41 1/2	3.62	1 1/2
13 1/2	11 1/2	8	b	8	b	Crompton Parkinson	£1	12/9 1/2	12/6 1/2	4.56	2 1/2	39 1/2	30/9	10	a	6 1/2	b	33/-	32/-	6.25	2
89 1/2	63 1/2	7 1/2	a	7 1/2	a	Deca	£1	75/-	75/6	3.09	1 1/2	16 1/2	11/6	6 1/2	a	4	b	13/6	13/6	4.10	1 1/2
45 1/2	39 1/2	12 1/2	b	12 1/2	b	E.M.I.	£1	35/6	35/6	4.93	2	9 10/10	7 6/4	5	a	7	b	87 1/2	87 1/2	6.11	1 1/2
54 1/2	39 1/2	5	a	5	a	Elliot-Automation	£1	25/6	25/9	6.21	1 1/2	41/6	30/6	10	a	38/9	41/6	3.31	2		
27 1/2	20/9	5	a	5	a	English Electric	£1	33/-	34/-	5.88	1 1/2	42/-	27 1/2	15	a	9 1/2	b	37/6	38/-	1.97	3 1/2
35 1/2	26 1/2	3	a	3	a	General Electric	£1	46/6	46/6	5.41	2	55/9	41/6	5	a	12	b	48/9	48/9	6.05	1 1/2
59 1/2	38 1/2	4 1/2	a	4 1/2	a	C.A. Parsons	£1	46/-	46/-	4.24	2 1/2	41 1/2	29/2	20	a	5	c	36/6	36/6	3.42	2
47 1/2	38 1/2	3 1/2	a	3 1/2	a	A. Reyrolle	£1	45/-	46/-	1.75	3 1/2	11/2	7/6	16	b	12 1/2	b	17/6	17/6	5.00	1 1/2
82 1/2	58 1/2	25	c	27 1/2	c	Thorn Electrical	£1	73/9	78/6	6.37	1 1/2	122 1/2	82/6	71 1/2	b	4 1/2	a	98/9	98/6	2.28	2 1/2
ENGINEERING																					
35 1/2	20 1/2	9	c	9	c	Babcock & Wilcox	£1	34/3	33/6	5.37	1 1/2	52/9	40/6	12 1/2	c	12 1/2	c	50 1/2	47/9	5.24	1 1/2
38 1/2	27 1/2	3 1/2	a	3 1/2	a	John Brown	£1	34/9	34/9	5.87	2 1/2	41 1/2	33/9	6	a	12	b	37/-	34/-	5.29	1 1/2
6 1/2	4/3	3	a	3	a	Camell Laird	£1	5/-	5/-	10.00	1	40/6	32/3	17 1/2	b	5	a	38/-	36/6	3.06	2 1/2
5 1/2	3 1/2	20	b	10	b	Internal Combust.	£1	27 1/2	28 1/2	5.29	1 1/2	37/-	24/6	15	b	7 1/2	a	28/6	29/6	2.96	2 1/2
38 1/2	26 1/2	21 1/2	a	9 1/2	b	Rich's & West's	£1	4/11	4/11	3.85	2 1/2	38/6	24/6	16 1/2	b	7 1/2	a	27/-	27/9	4.32	1 1/2
17 1/2	10/6	5	a	10	b	Swan Hunter	£1	28 7/8	29/3	4.41	1 1/2	35 1/2	26 1/2	25	c	25	c	32 1/2	32 1/2	3.80	2
34 1/2	21 1/2	12 1/2	a	16 1/2	b	John Thompson	£1	15/9	17/-	4.41	1 1/2	32 1/2	23/9	5	a	11	b	26 1/2	27 1/2	2.95	3
17 1/2	10/6	5	a	10	b	Coventry Gauge	£1	31/6	32/-	4.47	2 1/2	29 10/10	21/9	8 1/2	a	11 1/2	b	25/6	25/9 1/2	3.10	2
34 1/2	21 1/2	12 1/2	a	16 1/2	b	Allied Ironfounders	£1	62/9	63/6	4.63	2	47/3	32/6	9 4/10	a	15 3/20	b	34/6	34/6	3.59	3
17 1/2	10/6	5	a	10	b	Avery	£1	75/9	76/3	6.59	1 1/2	11 1/2	7/1	8	a	13	b	8 1/2	8 1/2	3.02	3
99 1/2	67 1/2	5	a	10	b	B.S.A.	£1	10/3	10/3	8.98	1 1/2	18/9	13/6	10	a	5	a	14/3	14/6	5.17	1
20 1/2	11 1/2	7 1/2	a	4	b	George Cohen	£1	9 7/12	9 7/12	6.75	1 1/2	33/3	23/9	14 1/2	a	10 1/2	b	25/9	26/3	9.33	1
11 1/2	8/6	4 1/2	a	8 1/2	b	Guest Keen	£1	72/9	73/4	4.36	2 1/2	32/3	22/9	6 1/2	a	13 1/2	b	16/6	16/6	7.58	1
33 1/2	16/9	10	a	17 1/2	b	Head Wrightson	£1	19/6	19/9	4.05	2 1/2	18/3	15/3	6	c	Nil	c	23/6	23/6	6.51	1 1/2
18 1/2	10/6	5	a	10	b	Metall Box	£1	15/10 1/2	15/10 1/2	4.41	3	20/3	16/9	7	c	7	c	22 1/2	22 1/2	7.11	1
38 1/2	26 1/2	21 1/2	a	9 1/2	b	Ransome & Marles	£1	37/-	37/-	5.41	1 1/2	9 7/12	5/-	3	a	3	a	5/3	5/3	5.93	3
48 1/2	34/3	7	a	7	a	Robt Investments	£1	54/10 1/2	54/10 1/2	5.15	3	31/-	17/6	3	a	3	a	19 10/10	19 10/10	3.28	3
31 1/2	23 1/2	21 1/2	a	7 1/2	b	Vickers	£1	26 7/12	27/3	4.47	3	12 1/2	7 7/12	2 1/2	c	2 1/2	c	8 1/2	7 7/12	3.28	3
71 1/2	54/10	10	b	3 1/2	a	Woodall-Duckham	£1	58/6	61/6	6.36	1 1/2	12/9	7/6	5	c	Nil	c	10/-	9/9	...	...
20 1/2	12/3	5	a	16	b	...	£1	15/9	16/6	...	...	...	...	...	...	...	...	...	...	...	...
FOOD & TOBACCO																					
26 1/2	19/9	10	c	10	c	Allied Suppliers	£1	10/-	10/-	2.25	2	48 1/2	27 1/2	16	c	5	a	30/-	29/9	...	2 1/2
12 1/2	8 1/2	10	c	12 1/2	b	Assoc. British Food	£1	45/9	46/3	5.09	1 1/2	27/3	15/3	10	c	2 1/2	a	19 10/10	19/6	...	2 1/2
61 1/2	39/3	4	a	10	b	Bovril	£1	12/4 1/2	12/4 1/2	3.69	3 1/2	34/-	21 10/10	7 1/2	b	3 1/2	a	27/6	28 1/2	7.82	3
12 1/2	9/9	53 1/2	b	10	a	Brooke Bond 'B'	£1	12/4 1/2	12/4 1/2	4.24	1 1/2	21 1/4	11/-	10	c	Nil	a	12/3	13/6	...	1 1/2
15 10/10	11 10/10	2 1/2	a	10 10/10	b	International Tea	£1	68/6	70/9	4.48	1 1/2	31/3	22/3	10	c	3 1/2	a	27/9	27 1/2	7.24	2
82 1/2	62/9	5	a	10 10/10	b	J. Lyons & A.	£1	34/12	34/-	4.12	...	36 10/10	24/3	10	b	5	a	32/6	33 7/12	8.92	2
38 1/2	29/9	9	b	5	a	Lea & Howard	£1	12/7 1/2	12/4	4.04	2 1/2	51 10/10	39/6	9	b	6	a	48/-	49/6	6.06	2
13 7/12	10 10/10	12	c	3	a	Spillers	£1	48/-	47/9	5.03	2 1/2	42 1/2	25/9	12 3/4	a	10	c	32/6	33/3	...	1 1/2
58 1/2	14/9	5	a	3	a	Tate & Lyle	£1	15/-	14 10/10	6.31	3	41/-	30/9	8 1/2	b	4	a	31/6	32/-	...	2
63 1/2	52/-	22 1/2	c	15 1/2	a	Unigate	£1	58/3	57 1/2	6.31	3	...	...	...	...	...	...	...	...	...	...
41 1/2	28 1/2	5	a	5	a	Brit. Amer. Tobac.	£1	32/9	32/9	8.00	1 1/2	32/-	25 1/4	5	a	7 1/2	b	30/9	30 1/12	8.30	3
63 1/2	47/6	14	b	8 1/2	a	Gallaher	£1	56/3	56/3	6.11	1 1/2	26 1/2	18/9	5	a	7 1/2	b	22/9	23/-	10.87	1 1/2
INSURANCE																					
8 1/2	5 1/2	20	a	25	b	Imperial	£1	65 1/2	65 1/2	3.21	...	50/9	30 10/10	17 1/2	b	3 1/2	a	35/3	38/3	...	1 1/2
60 1/2	50 1/2	14	b	20	b	Commercial Union	£1	55/-	54/6	1.56	...	61 10/10	54/12	9 1/4	a	8 1/2	b	46 1/2	47/9	5.24	1 1/2
35 1/2	21 1/2	141 1/2	b	162 7/4	c	Equity & Law Life	£1	27/6	27/6	1.34	...	81/6	68/6	13	b	8	a	6/3	6/3	8.53	1 1/2
109 1/2	69/-	10	a	20	b	General Accident	£1	83/3	81/3	2.64	...	30/9	20/3	2 1/2	a	7 1/2	b	69/-	69/-	6.09	2 1/2
60 1/2	42/9	...	...	...	...	Guardian	£1	37/6	37/6	1.27	...	20 10/10	14 1/4	5	c	6	a	23/3	23/3	8.60	1 1/2
48 1/2	32 1/2	80	a	110	b	Legal & General	£1	166/3	161/3	2.60	...	13/3	8 7/12	13 1/2	b	7 1/2	a	19 11/2	18 1/4	6.53	1
180/-	138/9	71 1/2	b	130	a	Pearl	£1	12 1/2	13 1/2	3.13	...	48/6	38/9	3 1/2	a	10	c	10 7/12	11/6	8.70	3 1/2
131 1/2	107	208 1/2	c	208 1/2	c	Prudential 'A'	£1	25 1/2	25 1/2	2.67	...	10/9	8/-	13	c	8 1/2	b	43 1/2	41/9	6.00	1 1/2
29 1/2	21 1/2	107 1/2	c	107 1/2	c	Royal	£1	39 1/2	39 1/2	3.91	...	27 1/2	20 10/10	10	c	10	c	22 7/12	22 1/4	8.94	1 1/2
47 10/10	35 10/10	...	...	...	...	Royal Exchange	£1	108/3	109/3	3.43	...	...	...	...	...	...	...	...	...	...	...
127 1/2	96/-	7 1/2	a	11 1/2	b	...	£1	...	...	...	...	27 7/12	19 7/12	4 1/2	a	8 1/2	b	23/9	23/6	2.66	1 1/2
MOTORS & AIRCRAFT																					
18 1/2	12/6	12 1/2	b	20	a	British Motor	£1	73/3	74/6	1.34	8	61/6	41/6	37 1/2	b	12 1/2	a	47/6	48/6	5.15	1 1/2
85 1/2	60 1/2	7	a	7 1/2	c	Jaguar Cars	£1	26/9	27 1/12	5.90	1 1/2	17/9	13/3	10	a	10	a	15 1/3	15 1/3	3.17	1 1/2
41 1/2	23 1/2	12	c	4	c	Rootes Motors 'A'	£1	5/3	5/8 1/4	2.81	...	71/9	54/3	31 1/2	a	30	a	59/6	59/3	2.14	...
79 1/2	60 1/12	11 1/2	b	5	a	A.C.V.	£1	78/4 1/2	78/3	5.11	2	89/-	69/9	31	a	8 1/2	b	78/3	78/9	3.05	1 1/2
94 1/2	67 1/4	20	c	5	a	Leyland Motors	£1	15/7 1/2	16/-	8.44	2	95/-	62/6	7 0/4	a	9 0/4	b	72/6	70/-	4.59	2 1/2
17 1/2	13 10/10	8	a	5 1/2	b	Bristol Aeroplane	£1	23 11/12	22 10/12	9.62	1 1/2	38/6	22/6	6	a	2	a	28/9	28/6	2.11	1 1/2
25 1/2	19/3	5	a	6	b	Dowty Group	£1	32/3	33 1/3	5.16	2 1/2	39/-	30/9	6 1/2	a	6 1/2	b	35/3	35/3	3.78	1
39 1/2	27 1/2	5	a	15 1/2	b	Dunlop Rubber	£1	32/3	31/6	9.24	2 1/2	46/6	38/-	12 1/2	a	11 1/2	b	40/6	40/6	12.10	2
77 1/2	62 1/12	11 1/2	b	2 1/2	a	Joseph Lucas	£1	68 7/12	68 7/12	1.61	...	9/6	7/6	12 1/2	a	12 1/2	b	36/9	36/9	7.44	1 1/2
22 1/2	12/-	5	c	9	a	Prested Steel	£1	35/-	35/-	4.29	2 1/2	5 3/4	4 1/2	12 1/2	a	29 1/2	b	8/3	8/3	18.18	1 1/2
39 1/2	31 1/2	5	a	10	b	Triplex Holdings	£1	30/9</													

Continued from page 845
chemical industry specialisation pays. Albright and Wilson has kept away from the more fashionable products (notably petrochemicals) in which the giants have invested heavily. But since its acquisition of Marchon it has dominated the market in phosphorus derivatives (other than fertilisers) and through its purchase of W. J. Bush and Boake Roberts it has secured an interest in such specialised products as plasticisers, flavouring essences and perfumes. The

Six months to	June 30, 1961 £'000s	Dec. 31, 1961 £'000s	June 30, 1962 £'000s
Trading profit	4,358	4,074	4,232
Gross income	2,762	2,290	2,350
Net income	1,365	1,348	1,245

winds of competition do not blow so coldly round its ears as they do round those of other, bigger producers. The stock market is aware of this; Albright and Wilson's shares at 23s. 9d. yield 4.2 per cent, compared with 5½ per cent on ICI. The cover on ICI's dividend is thin; but these results make it clear that a total dividend of 20 per cent from Albright and Wilson will again be covered about twice. The interim is unchanged at 6 per cent and there now seems no threat to a maintained final of 14 per cent.

*Powell Duffryn and
William Cory*

ALTHOUGH there are broad similarities between the interests of Powell Duffryn and William Cory in coastal shipping, coal and oil interests, Powell Duffryn is the more broadly based. Its profits come in roughly equal proportions from four main sources: coal, oil, shipping, and heating and engineering and the results for the year to March 31st evoke the comment from the chairman, Sir Henry Wilson Smith, that the group "had cause to bless the widespread nature of its activities."

Two thirds of the increase in trading profits, from £3,472,000 to £3,769,000, came from new acquisitions but Sir Henry describes the broad results as "a very creditable achievement." Although the cold winter aided profits in the fuel business there were offsetting factors—rising costs and the credit squeeze among them. Moreover, the development programme made inroads into the group's liquid balances with the result that investment income fell from £397,000 to £260,000. Thanks however to bigger investment allowances on new capital expenditures, net profits rose from £1,385,000 to £1,447,000 so that the dividend, raised from 16 to 18 per cent, is covered 2½ times. The cost of the dividend was raised by the issue of shares for two new acquisitions: the shares ranked for the 1961-62 dividend but the new subsidiaries contributed little to profits. This year will bring full earnings and some of new developments should earn a higher return.

Even so, Sir Henry does not make any

forecast. Two-thirds of total profits are earned in the winter months and thus depend on the weather; investment allowances will be lower; and the group will have a big overdraft to support. Last year net liquid assets of £931,000 gave way to a net overdraft of £903,000 and the current bid for Hamworthy Engineering is likely to require nearly £2 million net in cash, almost as much as last year's cash flow of £24 million. Sir Henry does not expect Powell Duffryn to raise any fresh capital this year but the group's borrowing powers have effectively been increased. Eventually, income should benefit from the £4 million in assets which earn little or no profit at the moment. Of these the Purfleet oil terminal should begin to earn profits early in 1963. But when will the three new dry cargo ships earn a satisfactory return? Nothing better than maintained profits seem to be on the cards for 1962-63 and the 10s. shares at 34s. 3d. are only just above their low point for the year and yield 5½ per cent.

In contrast are the £1 ordinary shares in William Cory at 50s. 4½d., yielding no less than 6.9 per cent. Trading profits fell in the year to March 31st from £2,723,000 to £2,658,000. But an increase in investment income and a lower tax charge led to a slight rise in net profits from £1,799,000 to £1,817,000, and the dividend was raised from 15 to 17½ per cent. The chairman, Lord Leathers, says that the return on capital in the group's two principal investments, coal and shipping, was low. It seems likely to remain low this year with little prospect of improved profits.

Philips NV

PHILIPS

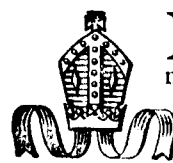

STOCKHOLDERS in Philips NV took up their rights in the £72 million issue when the concept of growth was taking a drubbing in Wall Street and other stock exchanges. It was a mammoth issue which, to go by the Royal

a mammoth issue which, to go by the Royal Dutch/Shell precedent, may inhibit investors from adding to their holdings, through further market purchases. The recovery on Wall Street has raised Philips shares from their low point and eventually the company should resume a fast rate of growth, based on further sales of television sets on the Continent and on its ventures in electronics. But the new money has still to be invested and the sheer amount of stock in issue may for the time being at least limit its recovery potential. The shares at £6½ yield no more than 2½ per cent on dividend and about 6½ per cent on earnings; well-managed though Philips is, it is at the moment adding less to its profits than it is to its sales.

In the first half of this year, sales rose by 13 per cent, from Fl 2,114 million to Fl 2,386 million, slightly higher than the increase secured in the first quarter and the increase expected for the year as a whole. But trading profits rose by only 3½ per cent, from Fl 330 million to Fl 342 million and the profit margin on sales of 14.3 per cent

was lower than in the first quarter of 1962, and in the whole of 1961. The net return on capital employed has also fallen (from 11.7 per cent to 9.9 per cent over the two half-yearly periods) though this reflects in part the swelling of liquid assets by the rights issue. And there are signs that stocks are building up more rapidly than sales are being generated. The directors had given stockholders adequate warning about the current slowing down in the rate of growth. This phase will have to pass before the glamour of electronics in Philips can attract the investor.

International Tea



INTERNATIONAL TEA'S self-service stores and supermarkets clearly played a key part in pushing up trading profits by 12½ per cent from £2,562,000 to £2,884,000 in the year to April 28th. This increase must mark an expansion in sales by the 322 self-service stores in operation at the beginning of the year and so over the initial disturbance and expense of conversion, and not merely the trade gathered by the 84 self-service stores opened during the year. By the end of April almost a quarter of the group's 1,284 stores were of self-service type; and current plans envisage another 90 self-service stores and two supermarkets.

International Tea may not have the growth potential implied by the low current yields on such specialist supermarket shares as Tesco and London Grocers, but prospects are good enough to justify the yield of 4.1 per cent offered by the 5s. shares at 15s. 3d. on the 12½ per cent dividend. The chairman, Mr F. E. Hawkins, admits that rising costs can be offset only by increasing sales ; but as the self-service stores have scored the biggest increase in turnover in recent years the group's policy is in the right direction. Efforts are also being made to cut costs. Clerical systems are being reorganised and the first of four new central warehouses will be in use by the end of the year. Expansion and development will continue to be self-financed.

THE ECONOMIST INDICATOR					
(1953=100)					
1962		Indicator	Yield %	1962	
July	25	310.9	5.55		
Aug.	1	312.8	5.50	High	Low
"	8	317.6	5.41		
"	15	336.5	5.09	364.4	310.3
"	22	335.1	5.13	(Jan. 17)	(June 27)
"	29	335.8	5.11		
FINANCIAL TIMES INDICES					
1962		Index †	Ord. Yield	2½% Consols Yield	Bargains Marked
Aug.	23	283.8	5.50	5.76	10.225
"	24	283.3	5.51	5.74	9.754
"	27	283.4	5.50	5.71	12.375
"	28	283.5	5.50	5.63	11.271
"	29	282.0	5.53	5.63	10.844
High, 310.2 (Jan. 19). Low, 252.8 (June 25). † July 1, 1935=100.					

EXCHEQUER RETURNS

For the week ended August 25, 1962, there was an "above-line" deficit (after allowing for sinking funds) of £20,924,000 compared with a deficit of £36,990,000 in the previous week and a deficit of £37,892,000 in the corresponding period of last year. There was a net receipt "below-line" of £19,330,000 leaving a total cumulative deficit to date of £321,571,000 compared with £362,530,000 in 1961-62.

£'000	Estimate 1962-63	April 1, 1961, to Aug. 26, 1961	April 1, 1962, to Aug. 25, 1962	Week ended Aug. 26, 1961	Week ended Aug. 25, 1962
Ordinary Revenue					
Income Tax.....	2,790,000	634,305	676,639	27,801	35,476
188,000		37,800	41,800	800	1,000
Death Duties.....	264,500	110,800	108,800	4,400	3,800
Stamps.....	95,000	44,500	40,800	3,100	2,900
Profits tax, EPT and EPL.....	374,000	136,500	148,300	6,900	10,500
Other Inland Rev. Duties.....	...	...	...	...	...
Total Inland Rev.	3,711,500	963,905	1,016,339	43,001	53,676
Customs.....	1,653,000	643,755	658,974	27,435	30,849
Excise.....	1,077,000	413,760	432,375	12,325	13,825
Total Customs and Excise.....	2,730,000	1,057,515	1,091,349	39,760	44,674
Motor Duties ..	150,000	27,218	42,043	...	...
Broadcast Lic's.....	41,000	11,200	11,500	...	...
Miscellaneous.....	165,000	116,917	66,569	2,479	4,652
Total.....	6,777,500	2,176,755	2,227,800	85,240	103,002
Ordinary Expenditure					
Debt Interest.....	600,000	322,966	291,661	...	...
Payments to N. Ireland Exch. PO Fund—Initial settlement.....	100,000	34,655	37,822	3,707	4,074
Other Contingent Expenditure.....	12,000	3,955	3,913	8	27
Supply Services.....	5,611,650	1,987,920	2,135,641	119,177	119,711
Total.....	6,323,650	2,349,496	2,469,037	122,892	123,800
Sinking Funds.....	41,000	11,634	12,359	240	124
'Above-line' Surplus or Deficit.....		184,375	253,596	37,892 Cr.	20,921 Cr.
'Below-line' Net Expenditure.....		178,155	67,975	54,029	19,333
Total Surplus or Deficit.....		362,530	321,571	16,137	1,594
Net receipts from:					
Tax Reserve Certificates.....		59,215	61,856	842	49
Savings Certificates.....		8,700	1,100	100	36
Defence Bonds.....		21,949	7,708	—	100
Premium Savings Bonds.....		17,050	13,900	700	1,000
Total.....		89,514	82,364	1,036	1,771

* Net repayments of £10 million to the Civil Contingencies Fund in 1962-63 compared with net repayments of £5 million in 1961-62.

FLOATING DEBT

	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Dept.	Bank of England	
1961					
Aug. 26	3,280.0	1,840.0	201.9	2.3	5,324.1
1962					
May 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	237.2	0.8	5,582.5
" 23	2,990.0	1,936.1	250.9	2.8	5,179.8
" 30	2,990.0	2,013.4	264.2	2.3	5,269.8
July 7	2,990.0	1,980.0	230.3	6.3	5,206.6
" 14	2,990.0	2,015.7	230.0	2.5	5,238.2
" 21	2,980.0	2,018.0	218.4	2.0	5,218.4
" 28	2,980.0	2,050.5	241.7	1.0	5,273.2
Aug. 4	2,980.0	2,012.5	227.3	...	5,219.8
" 11	3,000.0	1,983.6	225.1	0.3	5,208.0
" 18	3,000.0	2,009.3	240.1	5.5	5,254.9
" 25	3,000.0	2,063.1	203.8	0.3	5,257.7

THE MONEY MARKET

THE average rate of discount fell by 3.85d. to 75s. 4.50d. per cent at the Treasury bill tender on Friday of last week — its lowest point since mid-June. The syndicate of discount houses raised its bid by 1d. at this tender to £99 1s. 2d. The market's allotment of bills however actually fell to 48 per cent, compared with 53 per cent in the previous week ; total applications for the unaltered offer of £230 million bills rose by £22 million to £390 million.

Credit was tight throughout the week to Wednesday with the exception of Monday, when the authorities sold a small number of bills to absorb the surplus credit. On Tuesday one or two houses borrowed a small amount from the Bank of England at Bank rate despite the large amount of help provided by the authorities through the special purchase of bills. On Saturday and Wednesday special help on this scale was sufficient for market needs.

In the local authority loan market, money was fairly tight at the beginning of this week and the seven-day rate rose to $4\frac{1}{2}$ per cent, but on Wednesday money came on offer and the rate eased to $4\frac{1}{8}$ per cent. At the moment there is a good turnover in 364-day money at $5\frac{1}{2}$ per cent.

MONEY RATES

LONDON			
Bank rate (from % 5%, 26/4/62).....	4½	Market discount rates (3 months):	%
Deposit rates (7 days' notice):		Treasury bills.....	3½-3½
Banks.....	2½	Bank bills.....	3½-6
Discount houses.....	2½-3½	Euro-dollar deposits:	
Local Authorities.....	4½	7 days' notice.....	3½-3½
Call money:		3 months' notice.....	3½-4
Clearing banks' minimum.....	2½	Forward cover (3 months):	
Day-to-day.....	2½-4	Annual interest cost, US dollar	1½
NEW YORK			
Official Discount rate: (from 3½%, 11/8/60)	3	Treasury bill:	%
		August 20.....	2-837
		" 27.....	2-806

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

Effective Limits		Market Rates : Spot						
	August 29	August 23	August 24	August 25	August 27	August 28	August 29	
United States \$	2-78-2.82*	2-80 ¹ / ₁₆ -2 ⁷ / ₁₆	2-80 ¹ / ₁₆ -2 ⁷ / ₁₆	2-80 ¹ / ₁₆ -2 ⁷ / ₁₆	2-80 ¹ / ₁₆ -2 ⁷ / ₁₆	2-80 ¹ / ₁₆ -2 ⁷ / ₁₆	2-80 ¹ / ₁₆ -2 ⁷ / ₁₆	
Canadian \$	13-62 ¹ / ₂ -14-02 ⁷ / ₂	3-01 ¹ / ₂ -3-02 ¹ / ₂	3-01 ¹ / ₂ -3-02 ¹ / ₂	3-01 ¹ / ₂ -3-02 ¹ / ₂	3-01 ¹ / ₂ -3-02 ¹ / ₂	3-01 ¹ / ₂ -3-02 ¹ / ₂	3-01 ¹ / ₂ -3-02 ¹ / ₂	
French Fr.	11-12-12.54 ⁷ / ₂	12-11 ¹ / ₂ -12 ¹ / ₂	12-10 ¹ / ₂ -11 ¹ / ₂	12-10 ¹ / ₂ -11 ¹ / ₂	12-10 ¹ / ₂ -11 ¹ / ₂	12-11 ¹ / ₂ -11 ¹ / ₂	12-11 ¹ / ₂ -11 ¹ / ₂	
Swiss Fr.	137-96	139-37 ¹ / ₂ -42 ¹ / ₂	139-37 ¹ / ₂ -42 ¹ / ₂	139-35-40	139-30-85	139-30-35	139-32 ¹ / ₂ -37 ¹ / ₂	
Belgian Fr.								
Dutch Gld.	9-98 ¹ / ₂ -10-28 ¹ / ₂	10-10 ¹ / ₂ -11 ¹ / ₂	10-10 ¹ / ₂ -11 ¹ / ₂	10-10 ¹ / ₂ -11 ¹ / ₂	10-09 ¹ / ₂ -10	10-10 ¹ / ₂ -10	10-09 ¹ / ₂ -10	
W. Ger. D-Mk.	11-03 ¹ / ₂ -11-36 ¹ / ₂	11-20 ¹ / ₂ -11 ¹ / ₂	11-20 ¹ / ₂ -11 ¹ / ₂	11-20 ¹ / ₂ -11 ¹ / ₂	11-20 ¹ / ₂ -11 ¹ / ₂	11-20 ¹ / ₂ -11 ¹ / ₂	11-20 ¹ / ₂ -11 ¹ / ₂	
Portug. Esc.		80-15-25	80-15-25	80-15-25	80-15-25	80-15-25	80-15-25	
Italian Lire	1725-1775	1739 ¹ / ₂ -179	1738 ¹ / ₂ -179	1738 ¹ / ₂ -179	1738 ¹ / ₂ -179	1738 ¹ / ₂ -179	1738 ¹ / ₂ -179	
Swedish Kr.	14-27 ¹ / ₂ -14-70	14-42 ¹ / ₂ -42	14-42 ¹ / ₂ -42	14-42 ¹ / ₂ -42	14-41 ¹ / ₂ -42	14-41 ¹ / ₂ -42	14-41 ¹ / ₂ -42	
Danish Kr.	19-06 ¹ / ₂ -19-62	19-39 ¹ / ₂ -39	19-39 ¹ / ₂ -39	19-39 ¹ / ₂ -39	19-38 ¹ / ₂ -39	19-38 ¹ / ₂ -39	19-38 ¹ / ₂ -39	
Norwegian Kr.	19-77-20-30 ¹ / ₂	20-03 ¹ / ₂ -3	20-03 ¹ / ₂ -3	20-03 ¹ / ₂ -3	20-03 ¹ / ₂ -3	20-02 ¹ / ₂ -3	20-03 ¹ / ₂ -3	
* Official Limits								
One Month Forward Rates								
United States \$	3 ¹ / ₂ -1 ¹ / ₂ cc. pm	3 ¹ / ₂ -1 ¹ / ₂ cc. pm	3 ¹ / ₂ -1 ¹ / ₂ cc. pm	3 ¹ / ₂ -1 ¹ / ₂ cc. pm	3 ¹ / ₂ -1 ¹ / ₂ cc. pm	3 ¹ / ₂ -1 ¹ / ₂ cc. pm	3 ¹ / ₂ -1 ¹ / ₂ cc. pm	
Canadian \$	3 ¹ / ₂ -1 ¹ / ₂ cc. dia	3 ¹ / ₂ -1 ¹ / ₂ cc. dia	3 ¹ / ₂ -1 ¹ / ₂ cc. dia	3 ¹ / ₂ -1 ¹ / ₂ cc. dia	3 ¹ / ₂ -1 ¹ / ₂ cc. dia	3 ¹ / ₂ -1 ¹ / ₂ cc. dia	3 ¹ / ₂ -1 ¹ / ₂ cc. dia	
French Fr.	7 ¹ / ₂ -1 cc. pm	7 ¹ / ₂ -1 cc. pm	7 ¹ / ₂ -1 cc. pm	7 ¹ / ₂ -1 cc. pm	7 ¹ / ₂ -1 cc. pm	7 ¹ / ₂ -1 cc. pm	7 ¹ / ₂ -1 cc. pm	
Swiss Fr.	17 ¹ / ₂ -1 ¹ / ₂ cc. pm	17 ¹ / ₂ -1 ¹ / ₂ cc. pm	17 ¹ / ₂ -1 ¹ / ₂ cc. pm	17 ¹ / ₂ -1 ¹ / ₂ cc. pm	17 ¹ / ₂ -1 ¹ / ₂ cc. pm	17 ¹ / ₂ -1 ¹ / ₂ cc. pm	17 ¹ / ₂ -1 ¹ / ₂ cc. pm	
Belgian Fr.	21-16 cc. pm	21-16 cc. pm	21-16 cc. pm	21-16 cc. pm	21-16 cc. pm	21-16 cc. pm	21-16 cc. pm	
Dutch Gld.	3-24 cc. pm	3-24 cc. pm	3-24 cc. pm	3-24 cc. pm	3-24 cc. pm	3-24 cc. pm	3-24 cc. pm	
W. German D-Mk.	1 ¹ / ₂ -1 ¹ / ₂ cc. pm	1 ¹ / ₂ -1 ¹ / ₂ cc. pm	1 ¹ / ₂ -1 ¹ / ₂ cc. pm	1 ¹ / ₂ -1 ¹ / ₂ cc. pm	1 ¹ / ₂ -1 ¹ / ₂ cc. pm	1 ¹ / ₂ -1 ¹ / ₂ cc. pm	1 ¹ / ₂ -1 ¹ / ₂ cc. pm	
Three Months Forward Rates								
United States \$	3 ¹ / ₂ -1 ¹ / ₂ cc. pm	3 ¹ / ₂ -1 ¹ / ₂ cc. pm	3 ¹ / ₂ -1 ¹ / ₂ cc. pm	3 ¹ / ₂ -1 ¹ / ₂ cc. pm	3 ¹ / ₂ -1 ¹ / ₂ cc. pm	3 ¹ / ₂ -1 ¹ / ₂ cc. pm	3 ¹ / ₂ -1 ¹ / ₂ cc. pm	
Canadian \$	3 ¹ / ₂ -1 ¹ / ₂ cc. dia	3 ¹ / ₂ -1 ¹ / ₂ cc. dia	3 ¹ / ₂ -1 ¹ / ₂ cc. dia	3 ¹ / ₂ -1 ¹ / ₂ cc. dia	3 ¹ / ₂ -1 ¹ / ₂ cc. dia	3 ¹ / ₂ -1 ¹ / ₂ cc. dia	3 ¹ / ₂ -1 ¹ / ₂ cc. dia	
Swiss Fr.	47 ¹ / ₂ -48 cc. pm	47 ¹ / ₂ -48 cc. pm	47 ¹ / ₂ -48 cc. pm	47 ¹ / ₂ -48 cc. pm	47 ¹ / ₂ -48 cc. pm	47 ¹ / ₂ -48 cc. pm	47 ¹ / ₂ -48 cc. pm	
W. German D-Mk.	3 ¹ / ₂ -3 ¹ / ₂ cc. pm	3 ¹ / ₂ -3 ¹ / ₂ cc. pm	3 ¹ / ₂ -3 ¹ / ₂ cc. pm	3 ¹ / ₂ -3 ¹ / ₂ cc. pm	3 ¹ / ₂ -3 ¹ / ₂ cc. pm	3 ¹ / ₂ -3 ¹ / ₂ cc. pm	3 ¹ / ₂ -3 ¹ / ₂ cc. pm	
Gold Price at Parity								
Price (\$ d. per fine oz.)		250/7 ¹ / ₂	250/7 ¹ / ₂	...	250/8 ¹ / ₂	250/8 ¹ / ₂	250/8 ¹ / ₂	
		35-13	35-13		35-12	35-12	35-12	

BANK OF ENGLAND RETURNS

(£ million)	Aug. 30, 1961	Aug. 22, 1962	Aug. 29, 1962
Issue Department:			
Notes in circulation	2,328.0	2,332.3	2,315.9
Notes in banking dept.	22.4	43.1	59.4
Govt. debt and securities* ..	2,348.8	2,374.0	2,374.0
Other securities	0.7	0.7	0.7
Gold coin and bullion	0.4	0.4	0.4
Coin other than gold coin. .	0.5	0.3	0.3
Banking Department:			
Deposits:			
Public accounts	10.8	11.6	11.5
Special deposits	215.4	159.6	159.6
Bankers' deposits	232.3	227.2	242.2
Others	73.2	72.0	74.6
Total	531.6	470.4	487.9
Securities:			
Government	424.5	376.4	370.1
Discounts and advances ..	82.3	49.4	55.5
Other	20.2	19.0	20.4
Total	527.0	444.7	446.0
Banking department reserve..	23.1	44.0	60.3
	%	%	%
"Proportion"	4.3	9.3	12.3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced by £50 million to £2,375 million on August, 22nd.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million)		91 Day		
	Offered	Applied for	Average Rate of Allotment		Allotted Rate *
1961 Aug. 25	91 day 260-0†	409-9	s.	d.	%
1962 May 25	230-0	398-4	134	0-12	39
June 1	240-0	417-3	75	7-98	47
" 8	240-0	421-0	75	0-28	47
" 15	240-0	423-5	74	4-01	40
" 22	230-0	370-2	76	11-84	42
" 29	230-0	365-3	78	5-03	45
July 6	230-0	405-4	78	0-63	49
" 13	230-0†	404-5	77	9-32	23
" 20	220-0	382-1	78	7-14	29
" 27	220-0	387-6	77	8-89	54
Aug. 3	240-0	402-7	76	5-05	50
" 10	230-0	396-1	75	8-04	64
" 17	230-0	368-1	75	8-35	53
" 24	230-0	390-4	75	4-50	48

* On August 24th tenders for 91 day bills at £99 ls. 2d secured 48 per cent, higher tenders being allotted in full. The offer for this week was for £240 million 91 day bills.

UK External Trade

Imports are valued c.i.f.; exports f.o.b.
Total trade unless otherwise stated.

The following list shows the most recent dates on which each statistical page appeared.

BRITISH			
Prices and Wages.....	Aug. 25th	External Trade.....	This week
Manpower and Output....	Aug. 11th	Industrial Profits.....	July 14th
OVERSEAS			
Western Europe.....	Aug. 18th	United States.....	July 21st

Unit	Monthly averages			1961					1962				
	1959	1960	1961	May	June	July	Mar.	April	May	June	July		
VALUE													
Imports:	£ million												
Total.....	331.9	378.4	366.5	394.4	371.3	350.2	389.7	349.1	411.6	369.9	387.2		
Food, drink and tobacco.....	126.5	128.1	123.6	132.0	122.9	114.5	142.5	125.4	153.1	131.7	133.4		
Basic materials.....	77.6	88.3	82.1	91.6	84.6	76.8	74.7	67.3	80.7	73.4	77.2		
Fuels.....	38.9	40.0	40.3	43.2	37.8	41.2	45.9	37.3	48.9	44.3	47.5		
Manufactures.....	87.6	120.5	118.9	126.3	124.1	116.2	125.4	118.1	127.7	119.1	127.5		
Exports of UK produce:													
Total.....	277.5	296.2	306.9	298.9	316.3	308.7	322.4	327.3	337.6	317.0	327.8		
Manufactures—Total.....	234.5	250.0	259.9	257.1	270.2	263.8	271.5	276.9	286.6	272.0	279.1		
Metals.....	37.8	39.3	39.5	41.9	39.9	40.8	40.5	38.0	43.6	38.0	41.2		
Engineering products.....	122.4	131.0	139.5	137.9	150.3	140.0	144.5	156.8	152.1	151.2	152.7		
Textiles.....	20.7	21.7	20.8	20.0	19.6	21.4	21.6	20.0	22.4	21.3	20.9		
Re-exports.....	10.9	11.8	13.2	13.6	13.8	14.4	14.9	14.2	15.6	13.4	12.3		
Balance of trade (exports less imports).....	-43.5	-70.4	-46.4	-81.9	-41.2	-27.1	-52.4	-7.6	-58.4	-39.5	-47.1		
VOLUME (%)													
Imports:	1954=100												
Total.....	122	138	135	137	128	140	140	140	140	146			
Food, drink and tobacco.....	118	121	121	121	115	133	133	131	131	131			
Basic materials.....	101	110	101	106	94	99	94	96	96	96			
Fuels.....	143	157	164	162	155	179	178	178	178	178			
Manufactures.....	150	201	196	198	187	195	195	202	202	202			
Exports:													
Total.....	116	122	125	127	119	126	126	133	133	133			
Manufactures.....	117	124	127	131	121	127	127	135	135	135			
BY AREA													
Imports:	£ million												
USA.....	30.9	47.1	40.2	39.3	32.7	28.3	43.7	36.1	40.5	35.7	37.1		
Canada.....	26.0	31.2	29.1	33.1	30.3	29.4	25.7	24.4	32.9	30.1	31.8		
Latin America.....	26.8	25.8	23.2	27.5	26.2	24.2	30.4	26.8	31.7	25.6	29.8		
West'n Europe—Common Market.....	46.6	55.1	56.5	59.1	60.1	57.2	61.6	54.4	63.3	66.3	59.0		
" Free Trade Association (1).....	39.0	46.5	46.2	47.8	51.7	48.8	43.3	42.0	48.5	44.6	49.5		
Soviet Eastern Europe.....	9.7	11.6	13.0	10.9	11.7	13.5	10.2	10.3	14.4	13.9	13.9		
Other Non-Sterling.....	32.7	35.6	35.7	40.7	32.0	28.1	40.1	40.2	43.4	35.8	29.2		
Sterling area.....	120.2	125.5	122.6	136.0	126.6	120.7	134.7	115.2	141.0	117.4	136.9		
Exports of UK produce:													
USA.....	30.0	27.1	23.4	21.5	23.0	23.3	26.1	28.3	30.3	26.1	27.4		
Canada.....	17.3	17.9	18.5	22.3	18.4	18.1	14.1	18.7	17.0	17.5	18.3		
Latin America.....	12.9	14.3	13.9	12.2	14.3	14.7	15.9	13.7	15.7	13.4	18.0		
West'n Europe—Common Market.....	38.8	43.3	51.1	52.8	52.3	53.2	61.3	60.9	65.7	58.2	66.1		
" Free Trade Association (1).....	32.0	35.9	40.1	39.7	48.1	40.3	45.5	47.2	46.6	40.9	41.8		
Soviet Eastern Europe.....	5.1	6.4	8.8	9.4	9.7	8.7	9.0	10.1	8.2	8.6	9.6		
Other Non-Sterling.....	29.6	32.2	34.3	31.6	36.4	36.6	37.2	36.9	37.8	37.4	34.1		
Sterling area.....	111.8	119.1	116.8	109.4	114.1	113.8	113.3	111.5	116.3	114.9	112.5		
TRADE IN SELECTED COMMODITIES													
Imports:													
Wheat.....	'000 tons	356.3	342.0	327.5	421.3	309.8	323.0	366.9	326.2	374.9	364.0	330.7	
Meat.....	"	67.6	69.3	61.2	68.4	74.9	68.0	91.0	60.8	73.0	48.6	74.0	
Sugar, unrefined.....	"	201.8	183.3	172.4	176.7	168.8	140.2	151.4	178.3	228.4	192.9	161.9	
Raw cotton (2).....	"	22.5	22.5	18.4	18.0	16.3	9.8	20.1	17.3	20.4	19.9	13.9	
Raw wool, sheep's and lambs' (2).....	mn. lb.	58.6	49.8	49.4	63.3	48.7	42.4	71.0	48.0	58.8	34.7	49.2	
Rubber, natural and synthetic (2).....	'000 tons	17.0	16.2	16.2	12.3	14.0	11.5	22.9	13.6	11.2	12.3	12.0	
Softwood.....	'000 stds.	121.7	150.0	134.2	109.3	173.8	179.0	66.0	56.4	107.5	168.7	191.3	
Woodpulp.....	'000 tons	185.4	225.4	215.1	259.1	226.5	161.4	163.0	193.9	214.8	189.4	186.9	
Crude petroleum.....	mn. galls.	847	963	1,059	1,171	1,010	1,080	1,222	947	1,186	1,145	1,234	
Exports of UK produce:													
Coal, including bunkers.....	'000 tons	343	455	475	579	505	493	356	392	389	348	500	
Woven piece-goods—cotton.....	mn. sq. yds.	29	27	24	24	22	23	22	19	21	19	21	
" " " wool.....	'000 sq. yds.	8,536	8,089	7,528	6,882	7,043	8,387	7,161	6,823	6,895	8,269	7,807	
Passenger cars and chassis.....	number	47,414	47,491	30,897	29,827	31,937	31,497	46,201	51,266	45,935	49,899	49,024	
Commercial vehicles and chassis.....	"	10,619	12,127	13,913	12,773	16,437	14,877	14,100	13,477	13,688	12,685	13,061	
Agricultural tractors.....	"	9,474	11,951	11,790	10,705	12,218	13,318	14,705	11,230	13,727	13,804	12,912	
Machinery—electrical.....	£'000	5,706	5,257	5,506	5,707	5,924	5,729	4,592	5,867	5,943	6,351	5,814	
" other.....	"	47,264	52,948	61,374	60,966	62,665	64,856	66,405	67,888	63,730	64,631	64,631	
Chemicals, elements and compounds.....	"	5,862	6,442	6,422	6,253	5,970	5,972	7,003	6,562	7,321	6,452	6,876	

(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. (6) Average for third quarter.

APPOINTMENTS



APPOINTMENTS
DIVISION

STATISTICIAN / ECONOMIST

London

for a well known British public company with widespread commercial interests in the U.K. and overseas. Initially, he will be responsible for providing the Directors with a statistical and economic intelligence service to assist them in formulating policy; it is intended that his duties should be widened in due course to cover many other aspects. This appointment offers a unique opportunity for a young man to see all aspects of the company's activities; it should have great appeal to Chartered Accountants and Economists between the ages of 25-28 who are interested in a commercial career which could broaden into general management in later years. Starting salary up to £1,500 depending on age and experience; annual bonus is also payable, and there are generous non-contributory pension and life assurance arrangements. (Ref. AA3,888.E)

Applicants should forward brief details, quoting the reference number, to:—

Personnel Administration Limited, Appointments Division, 2, Albert Gate, London, S.W.1.

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TRANSLATOR EDITOR

The World Health Organisation invites applications for a post of Translator Editor at its Headquarters, Geneva.

DUTIES: Search for and translation of material suitable for publication in the International Digest of Health Legislation, in official gazettes and collection of laws in various languages. Editing of material selected for publication, from manuscript to printed form.

REQUIREMENTS: University degree in law or science. Mother tongue English; sound knowledge of French and Spanish; knowledge of other European languages desirable. Experience in editing technical material.

SALARY: US\$7,360 per annum, net of income tax, rising by annual increments to \$9,870 plus post adjustment, dependants' allowance and education grant for children, under certain conditions. Liberal terminal payments. Sickness and Accident Insurance; annual and home leave facilities. Initial contract for two years.

Applications should be sent to the World Health Organisation, Geneva, marked "VN 773/Translator Editor" within three weeks of the date of issue of this advertisement.

Only candidates under serious consideration will receive a reply.

UNIVERSITY OF BELFAST

LECTURESHIP AND ASSISTANT LECTURESHIP IN ECONOMICS

The Senate of the Queen's University of Belfast invites applications for a Lectureship and an Assistant Lectureship in Economics from January 1, 1963, or such earlier date as may be arranged. Salary scales are £1,150 to £1,950 plus contributory pension rights under the F.S.S.U. for a Lectureship, and £900 to £1,050 plus F.S.S.U. for an Assistant Lectureship. Initial placing on the salary scale will depend on qualifications and experience. Applications should be received by September 24, 1962. Further particulars may be obtained from G. R. Cowie, M.A., LL.B., J.P., Secretary.

NATIONAL DAILY has vacancy for Qualified Statistician (man or woman) to collect and collate economic data and to help with share indices. Salary £750-£1,000. Box 1052.

THE UNIVERSITY OF SHEFFIELD

DEPARTMENT OF EXTRAMURAL STUDIES

Applications are invited from suitably qualified Honours Graduates for the post of TUTOR in ECONOMIC/INDUSTRIAL RELATIONS, to begin duties as soon as possible in the session 1962/63. Teaching duties will include day-release classes for Mineworkers, but an interest in the development of a wider range of studies in an industrial area would be an advantage. Salary on the scale £900 x £950-£1,050 (Probationary Tutor); £1,150 x £950-£1,050 x £750-£1,950 (Staff Tutor); with F.S.S.U. pension and family allowance. Grant towards removal expenses will be made. Applications (10 copies) by September 29, 1962, to the Registrar, The University, Sheffield, 10, from whom further particulars may be obtained.

THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (PARIS)

The AGRICULTURAL DIRECTORATE of the OECD is looking for

ECONOMISTS familiar with agricultural questions or GRADUATES IN AGRICULTURE familiar with economic questions. Their work would relate to:

- Agricultural policy (price policies, structures and marketing arrangements).
- Projections of supply and demand relating to agricultural products.

Other qualifications required are a very thorough knowledge of one of the official languages of the Organisation (English and French) and ability to draft well in that language; a sound knowledge of the other language is also required. Candidates should apply, before September 15, 1962, to the Personnel Division, O.E.C.D., 2 rue André-Pascal, PARIS (XVIIe), enclosing a detailed curriculum vitae.

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD

MARKETING OFFICERS

There are two unestablished Marketing Officers grade 18 posts for work on fruit and vegetable market surveys and inspections under the Grade Assessment Service. Men only may apply. Age at least 20 on August 1, 1962. Sound general education and practical experience of horticultural marketing essential; knowledge of wholesale trade is particularly important. National starting salary £550 (at 20 to £750 (at age 25 or over); scale maximum £978. Salary scales under review. Car driving essential.—Write, Ministry of Agriculture, Fisheries and Food, Room 626, Great Westminster House, Horseferry Road, London, S.W.1, for application form quoting F.P.1202. Closing date September 14, 1962.

D.S.I.R.

ROAD RESEARCH LABORATORY

Harmondsworth, Middlesex

Requires CIVIL ENGINEERS and PHYSICISTS in the SENIOR SCIENTIFIC and SCIENTIFIC OFFICER grades for work in the TROPICAL SECTION. Laboratory for periods of one or two years on specific projects; usual Foreign Service Allowances apply. **QUALIFICATIONS:** 1st or 2nd class Honours degree (for Senior Scientific Officer posts, some years of appropriate post-graduate research or equivalent experience is required).

SALARY: within range—Senior Scientific Officer £1,300-£1,720; Scientific Officer £1,000-£1,271. Prospects of promotion to Principal Scientific Officer (range up to £2,515) with possibility of further promotion to higher posts. Laboratory is expected to move to Crowthorne, near Bracknell, Berkshire, in three years' time. London Weighting ranging from £40-£60 is payable at Harmondsworth, but not at Crowthorne. APPLICATION above address, quoting RRL/YXW. Closing date 1st October, 1962. (5)

KODAK LIMITED

have a vacancy in their

OPERATIONAL RESEARCH DEPARTMENT

at Harrow. Applications are invited from men between 30 and 45 with direct experience in the development of planning and control projects. Preference will be given to candidates with wide knowledge of, and considerable interest in, systems analysis, mathematical statistics, and economics. The position can be classified as permanent, progressive and pensionable. Commencing salary according to qualifications and experience.

Write, full details, to:

Personnel Department (CRW), KODAK LIMITED (FACTORY), Wealdstone, Harrow, Middlesex

not later than 22nd September 1962.

The Secretary of the University at Queen's College, Dundee, from whom further particulars may be obtained.

Applications are invited for a SENIOR LECTURESHIP IN ECONOMICS in the Faculty of Social Science, Queen's College, Dundee, with effect from a date to be arranged. Salary scale: £1,950 x £75 to £2,425. F.S.S.U. family allowance; grant towards removal expenses. Applications (6 copies) containing the names of three referees, to be lodged not later than 22nd September 1962, with the Secretary of the University at Queen's College, Dundee, from whom further particulars may be obtained.

quoting reference No. 198

quoting reference No. 198

quoting reference No. 198

quoting reference No. 198

quoting reference No. 198

quoting reference No. 198

quoting

The Economist requires an ASSISTANT STATISTICIAN to help in analysis of economic material including the construction of index numbers. Age under 30. University degree in statistics for in economics with statistics as a special subject essential. Salary in the range £800-£1,100, according to experience. Five-day week, four-weeks' holiday. Bonus, pension and provident schemes in operation. Apply, in writing, to the Chief Statistician, The Economist, 22, Ryder Street, London, S.W.1. Applicants in response to advertisement last month please do not re-apply.

UNIVERSITY OF AUCKLAND NEW ZEALAND CHAIR IN ACCOUNTANCY

Applications are invited for the above-mentioned appointment. The salary attaching to the position is £2,800 per annum; an allowance is made towards travel and removal expenses. Further particulars are obtainable 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 October 15, 1962.

UNIVERSITY COLLEGE OF CAPE COAST DEPARTMENT OF ARS

Applications are invited from graduates with good honours degree for the post of LECTURER IN SOCIOLOGY. Salary scale: £G1,050 x £50-£G1,400 x £75-£G1,850; £G1,900 per annum. Non-Ghanaians an additional 20 per cent. Entry at appropriate point. Appointment normally five years in the first instance. Outfit allowance £G60. Car maintenance allowance £G150 per annum. Family allowances for non-Ghanaians £150 per annum for each child in West Africa or, if under 21 years of age and being educated outside West Africa £G100 per annum. (Maximum five children). Part-furnished accommodation at charge not exceeding 7.5 per cent. of salary. Annual leave with three overseas return passages in every four years for non-Ghanaians and one in every three years for Ghanaians. Applications (6 copies) giving details of qualifications, etc., and naming three referees, should reach the Assistant Registrar (Overseas), University of Ghana, 15, Gordon Square, London, W.C.1, not later than September 24, 1962.

ECONOMIC AFFAIRS REFERENCE SERVICE

CENTRAL OFFICE OF INFORMATION (ECONOMIC UNIT) requires an information officer (unestablished) to write reference information papers and provide factual briefing for overseas use on British and international affairs. Desirable qualifications are a university degree in economics or a related subject, research experience and the ability to present factual information concisely and accurately. Familiarity with technical matters would be an asset. Candidates may be asked to produce examples of written work. Salary £1,331-£1,847 p.a. Write, giving full details of experience and qualifications, to Manager (PL1430), Ministry of Labour, Professional and Executive Register, Atlantic House, Farringdon Street, London, E.C.4.

THE UNIVERSITY OF SOUTHAMPTON

Applications are invited for a Research Fellowship tenable in the Department of Economics for work on project concerned with British overseas investment. Some research experience is essential and a knowledge of European languages would be an advantage. Salary according to age and experience within range £1,000-£1,250 per annum. Applications, giving brief curriculum vitae and the names of two referees, should be sent to the Secretary and Registrar, The University, Southampton, before September 14, 1962.

ROTHMANS FELLOWSHIPS

Rothmans of Pall Mall (Australia) Limited have set up the Rothmans University Endowment Fund to encourage higher education and research for the benefit of the Australian national welfare. The Trustees have agreed to establish Rothmans Fellowships at Senior and Junior levels to enable Fellows to undertake post-graduate work within a University or approved institution. The SENIOR FELLOWSHIP is of annual value of not more than £4,000 (Australian). The JUNIOR FELLOWSHIP is in two grades, the first of an annual value of from £1,000 to £1,250 (Australian), the second of an annual value of not more than £2,300 (Australian). At the discretion of the Trustees, a Fellow may be paid travelling expenses incurred in taking up the Fellowship and returning to his home. In addition, an amount of £500 (Australian) per annum is available, at the discretion of the Trustees, to the University or institution where the Fellow is working for the payment of fees and expenses including the purchase and maintenance of equipment. Preference in the award of the Fellowships will be given to those applicants who wish to work in an Australian University or institution and only in exceptional circumstances will an award be made in respect of work to be done elsewhere. Applicants must have had at least one year's post-graduate research experience. Application forms and further details may be obtained from the Secretary, Rothmans University Endowment Fund, c/o University of Sydney, Sydney, Australia. Applications close on October 15, 1962. H. G. McCREDIE, Secretary, Rothmans University Endowment Fund.

D.S.I.R.

BUILDING RESEARCH STATION Garston, Watford, Herts.

ASSISTANT EXPERIMENTAL OFFICERS to join teams working in the field of BUILDING DESIGN AND TOWN PLANNING. The researches are aimed at assessing user satisfaction with various design aspects thus providing the basis for recommendations to designers.

DUTIES: Would include assisting in social surveys and field experiments and analysing results obtained.

QUALIFICATIONS: Pass Degree in psychology, social science or natural science, or appropriate I.N.C. Training or interest in statistics or applied physics would be useful.

SALARY: £671 (age 22) to £843 (age 26 or over) to £1,022. Prospects to £1,389.

APPLICATION FORMS from Director, above address, quoting B.R.S. 45H.

Closing date September 17, 1962.

MEDIA STATISTICIAN

REQUIRED BY PROGRESSIVE ADVERTISING AGENCY

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THE UNIVERSITY OF NOTTINGHAM

DEPARTMENT OF INDUSTRIAL ECONOMICS

Applications are invited for a TEMPORARY LECTURESHIP in the above Department, tenable for 2 years from January 1, 1963. Salary within the scale £1,150 to £1,875, plus membership of the Superannuation System for Universities and Children's Allowance. Conditions of Appointment and form of application, to be returned by Wednesday, September 19, to the Registrar.

THE SOUTH WALES ELECTRICITY BOARD

ASSISTANT STATISTICIAN

Applications are invited for the superannuable position as Assistant Statistician in the Board's Research Group at Head Office, St. Mellons, Cardiff.

The work includes sample surveys, ad hoc investigations and the collation of financial and load statistics. The possession of a degree in Statistics or Mathematics would be an advantage.

Salary: NJC grade 7 (£1,295-£1,400 per annum).

Applications should be submitted on forms obtainable from the undersigned and returned to him at St. Mellons, Cardiff, not later than September 15, 1962.

Envelopes should be endorsed "Assistant Statistician—126/62."

R. G. Williams, Secretary.

UNIVERSITY OF ADELAIDE

LECTURER IN ECONOMICS

Applications are invited for the above-mentioned appointment.

Salary Scale: £A1,675-100-2,450; with superannuation on the F.S.S.U. basis. The initial salary may be fixed within the appropriate scale in accordance with the successful candidate's qualifications and experience.

Further Information: A potential candidate should also seek from the Registrar of the University or from the Secretary, Association of Universities of the British Commonwealth, Marlborough House, Pall Mall, London, S.W.1, (i) General Conditions of Appointment, which include particulars of tenure, superannuation, removal expenses, invalidity and study leave; (ii) a statement giving further particulars of the post and of the work of the Department of Economics. The University will gladly supply any further information desired on request to the Registrar.

Applications, in duplicate, should give the information stated in the final paragraph of the General Conditions of Appointment, and should reach the Registrar, The University of Adelaide, Adelaide, South Australia, not later than October 15, 1962.

QUALIFIED ACCOUNTANTS

QUALIFIED ACCOUNTANTS are required for the financial accounts department of Connaught Food Products Limited, which is one of the Schweppes group of companies.

One man is required for a senior post in the department. He should have had some five years' experience in industry. The second post would suit a younger man, recently qualified. Interviews will be carried out by the Financial Accountant, but please write in the first instance to Personnel Manager, Connaught Food Products, Green Walk, S.E.1.

KING'S COLLEGE, CAMBRIDGE

The Governing Body of King's College will shortly elect to a Fellowship associated with the names of the late Arthur Berry and Frank Ramsey, former Fellows of the College. Candidates must be male members of any University in the British Isles under twenty-eight years of age at Michaelmas 1962 (but any special training may be taken into account), whose study or research falls within the following group of subjects: Mathematics, Philosophy (including the Philosophy of Religion), Economic Theory.

For further particulars see the "University Reporter," Cambridge, or the "Oxford University Gazette"; first number of the Michaelmas Term. Or apply by letter to the Bursars' Clerk, King's College, Cambridge.

BRITISH RAILWAYS (EASTERN REGION) require several QUALIFIED ACCOUNTANTS, preferably aged between 25 and 30 years and having some commercial experience in a large organisation employing advanced accounting methods. Candidates, who should have administrative ability and a keen interest in the development of management accountancy, must be prepared to work in London or elsewhere in the Eastern Region. Successful applicants will spend an initial period assisting with the introduction of new systems and will have excellent prospects for advancement. Commencing salaries about £1,230 per annum. These are permanent positions with certain free and reduced rate rail travel facilities; there is a contributory Superannuation Scheme. Applications, in confidence, giving full details of age, qualifications and experience should be sent to: Chief Accountant, British Railways (Eastern Region), 21a, John Street, London, W.C.1.

EDUCATION: BUSINESS AND PERSONAL

LANCHESTER COLLEGE OF TECHNOLOGY, COVENTRY

DEPARTMENT OF MANAGEMENT AND BUSINESS STUDIES

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HIGHER NATIONAL DIPLOMA IN BUSINESS STUDIES

Two sandwich courses for the H.N.D. will start in October, 1962, one intended for those wishing to specialise in industrial sales, the other for prospective industrial accountants. Both courses are combined commercial/technical courses and include a study of at least one foreign language by the oral method. Further details, together with application forms, are available from the Vice-Principal, Lanchester College, Priory Street, Coventry.

TUITION FOR B.Sc. ECONOMICS

Wolsey Hall (f. 1894) provides Postal Courses in a wide range of subjects for the two examinations for London Univ. B.Sc. Econ. (three, if entrance is included) at moderate fees. (43) Wolsey Hall students passed London University B.Sc. Economics Exams., 1950-60. Tuition also for G.C.E., Law, Statistical other exams.—Prospectus (mention examination) from E. W. Shaw, Fletcher, C.B.E., LL.B., Director of Studies Dept. P.17.

WOLSEY HALL, OXFORD

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METROPOLITAN COLLEGE, ST. ALBANS

or call at 30 Queen Victoria Street, London, E.C.4. Established 1910.

B.Sc. (ECON.)

LONDON UNIVERSITY

U.C.C., founded in 1887, successfully prepares students for this Degree (obtainable without residence), which is a valuable qualification for those seeking executive appointments in commerce or industry, government or municipal posts.—Prospectus, giving details of Courses for other London Degrees, G.C.E., Law Exams., etc., from Registrar, University Correspondence College, Burlington House, Cambridge.

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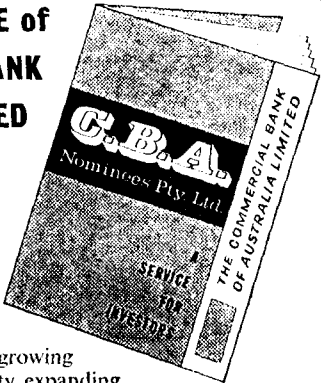
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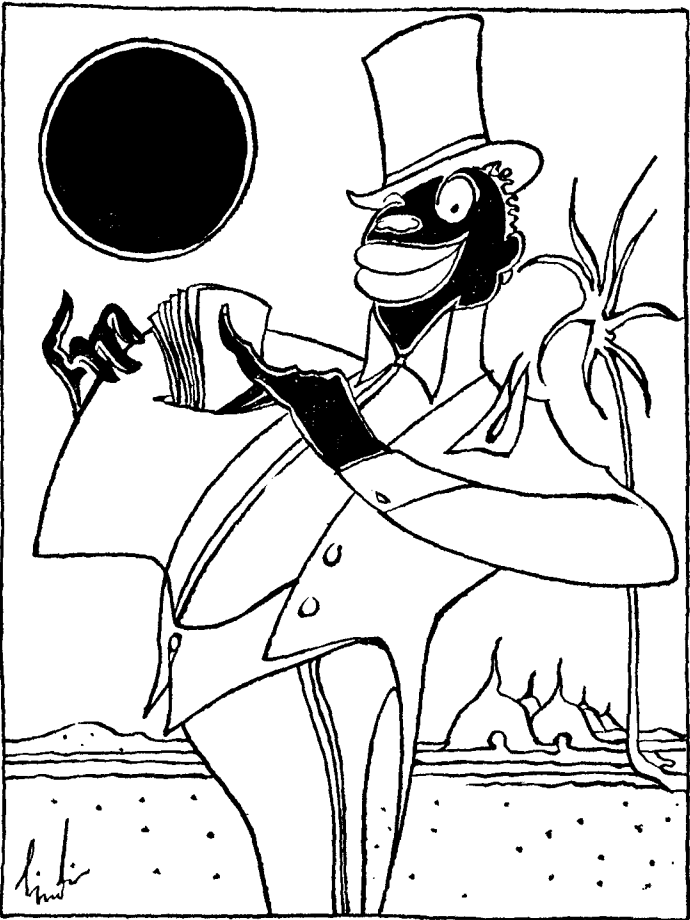
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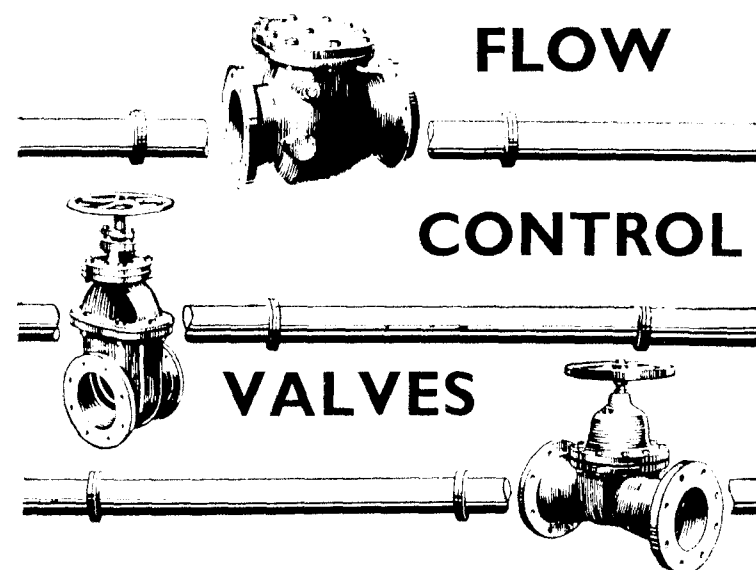
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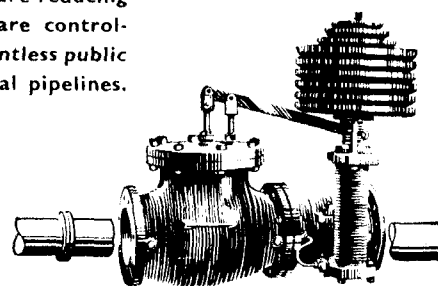
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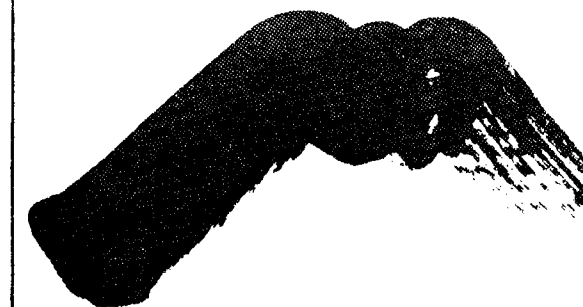
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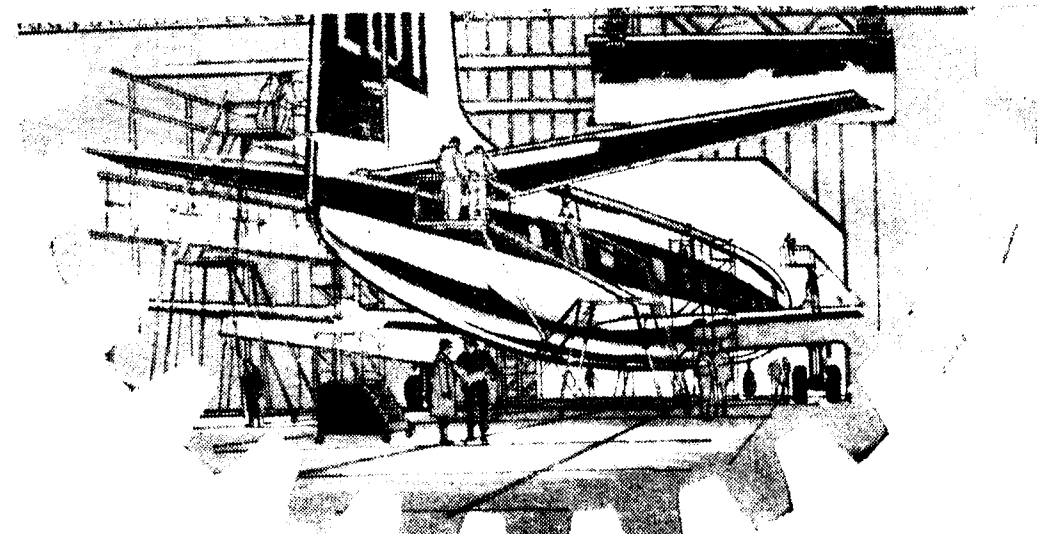
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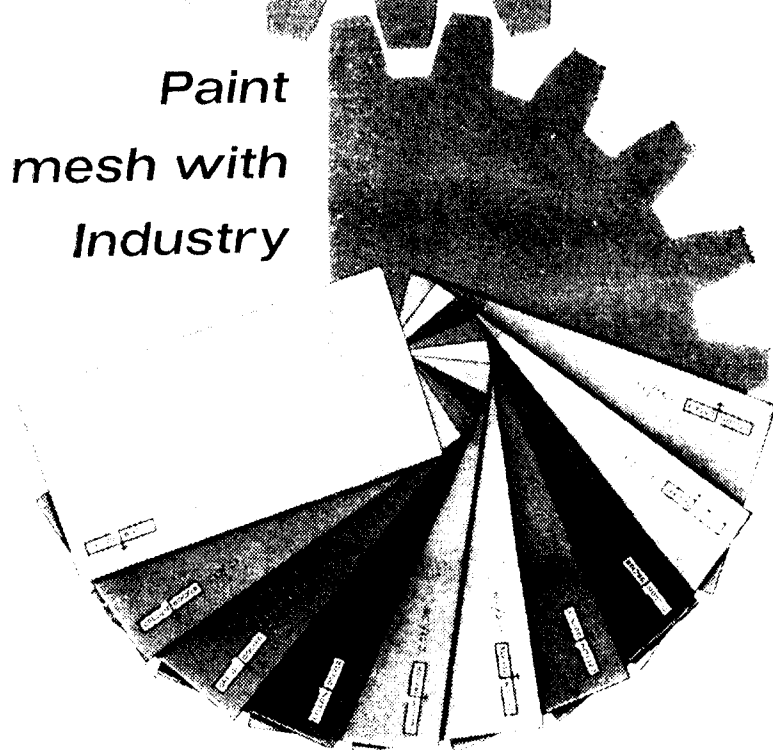
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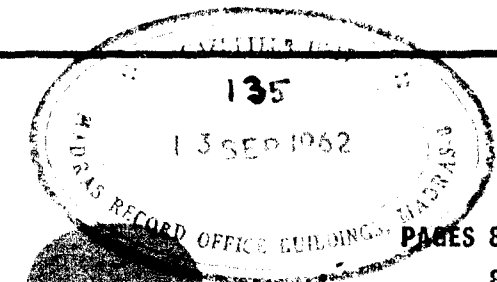
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PAGES 865
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FACING THE COMMON WEALTH EUROPEAN OUTLOOK

CAN BRITAIN'S
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MAINTAIN THEIR
RECORD OF
ADAPTABILITY TO
CHANGE WHEN
THEY GRASP
THE EUROPEAN
NETTLE?

IMF DO'S AND DON'TS
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CONSIDER JAPAN-2 PAGES
907
TO
936

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

Guide to contents: see over

The Economist this Week September 8, 1962

INTERNATIONAL

BRITAIN FREE?

The Commonwealth is a child of change. Can it, looking to Britain and Europe, show the same capacity to adapt itself to a changing world that has marked its record hitherto? Or must Britain assert its own right to act independently? (p. 865).

The British Government is not yet independent of colonial responsibilities, as much as it would like to be. Its field of possible action in Rhodesia is particularly restricted (p. 868).

KNCW YOUR EUROPE

It would be merely insular to view this week's visit to Germany by President de Gaulle as an anti-British get-together (p. 866).

A residue of old German distrust of French intentions could be felt behind the parade of Adenauer-de Gaulle amity this week (p. 893).

Free to copy anyone's ideas, Italy's drug manufacturers have made their fortunes. Now they must bow to common market pressure and the country's first patent law for drugs (p. 950).

The West should discourage, not take part in, nose-thumbing across the Berlin barrier (p. 873).

KNCW YOUR COMMONWEALTH

Australia: Following a series of political ups and downs, Australians—and Mr Menzies—are now soberer about Britain's application for entry to the European common market. They may no longer seek to lay down the law to Whitehall (p. 891).

Canada: The double shock of almost losing an election and facing an exchange crisis the day after the results were known has had a damping effect on Mr Diefenbaker (p. 891).

Tanganyika: Mr Nyerere is still doing his energetic best to build a country out of the backward territory he inherited from Britain last December (p. 892).

Ghana: Dr Nkrumah is determined to keep what he inherited (p. 874).

Nyasaland: Mr D. K. Chisiza will be hard to replace (p. 877).

Malaysia: The way now looks clear for the creation of a "greater Malaysia" by the agreed deadline of August 31st next year (p. 878).

Know Your Tshombe: Under arm-twisting, the Katanga leader has capitulated. His arm must not be let free (p. 874).

AMERICA YOU KNOW

The outcome of this November's elections in the United States is unusually uncertain

(p. 901). The campaign in Massachusetts is a family affair (p. 906).

The mutual fund industry has reacted wildly and unwisely to well-substantiated charges that these funds are not living up to their name (p. 903).

A pattern for dealing with labour difficulties arising from automation on the railways may result from the telegraphists' strike in Chicago (p. 902).

Satellites and cows have both been affected by recent nuclear tests (p. 903).

Steelmen seem to be looking for trouble (p. 904).

At last the end of the poll tax is in sight (p. 904).

NO, THEIR CUBA:

Cuba does not belong to the Russians yet (p. 871).

CONSIDER JAPAN—2

For underdeveloped countries, there is much that is worth knowing about the new Japan. The second of two reports on Japan from our special correspondent appears on pages 907 to 936. It suggests the specific lessons that Japan can offer to backward countries.

HOME

HIGH, HIGH, HIGH

We've high hopes for the world financial meetings in Washington, Mr Maudling, so please get together with the Americans to shake out and share out international reserves, spread the idea of mutual holdings of currencies, and grasp the nettle of guarantees for them (p. 941).

Up go nurses' wages by a flat 7½ per cent, but not the industrial court's reputation (p. 874).

Building high has become a matter of pride in Sheffield; and the sociable street survives, too, in a new form (p. 937).

Silver past its 1920 peak price and some coins are getting nearer the melting pot (p. 947).

A clearing house for the end-products of higher education may be on the way, but the universities' appointments boards will still have a big job to do (p. 877).

The Ministry of Education is hatching some useful reforms in selective schooling which will benefit the top of the class, and those lower down as well (p. 881).

GO, GO, GO

The Trades Union Congress has admitted, without exactly bestirring itself to answer, the major issues that confront it—its own reform, its part in economic planning, and the entry into Europe. Effective action now depends on the estimable Mr George Woodcock and his HQ team, but his own performance at Blackpool has not blazed the trail of reform (p. 869).

The Liberal party executive gives a realistic twist to the Llandudno agenda, but a party working group's ideas on industry look both amateurish and undesirable (p. 873).

The proposed Anglo-French supersonic airliner is the wrong choice for the future. It leads nowhere; faster speeds will require new aerodynamic ideas, and, above all, new metals (p. 943).

Sir Isaac Wolfson has bought a bank for the family trust—it should add glitter and profit to his interests (p. 950).

Old idea in a new shape: heating bricks is the electricity industry's latest idea for spreading its load (p. 950).

LOW, LOW, LOW

Retail trade stayed put in July and the rise in hire purchase debt was pretty small. Can the Treasury still count on the forecast rise of 4 per cent in consumers' real expenditure without some new stimulus? (p. 945).

By deciding to deport Dr Soblen (even if he still has other ideas) both the Government and the judges have chosen to bury the present law of extradition (p. 872).

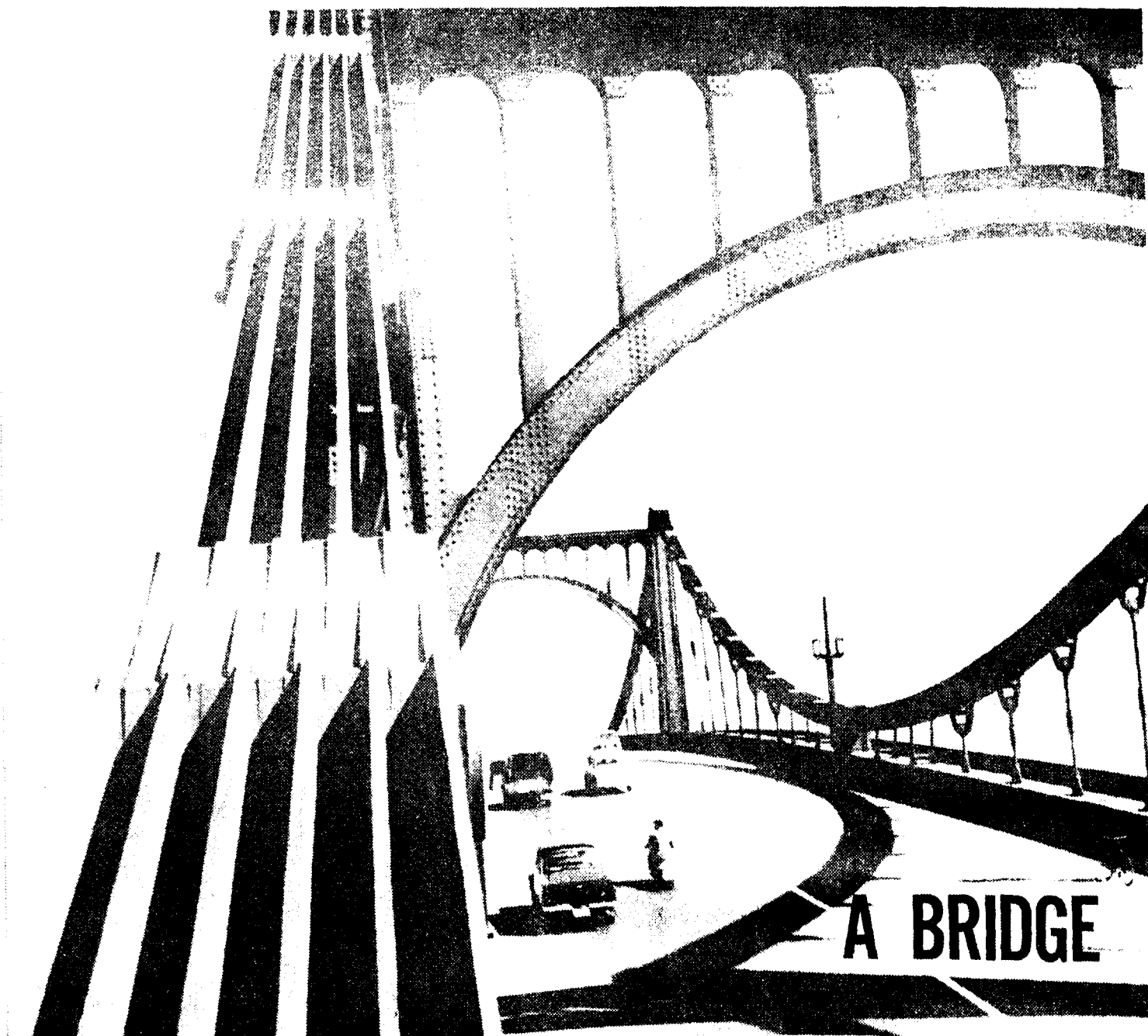
Should Shakespeare's reputed bones be disturbed? More than a Stratford spectre could be upset (p. 881).

What drives newspapers into the grave: Manchester offers an acute pre-Shawcross assessment (p. 877).

Glasgow has consigned the last of the big-city tramways to the scrapyard (p. 938).

Halifax Building Society has lowered its mortgage rates; the pressure will now be on other societies to do the same (p. 944).

Detailed contents on page 865



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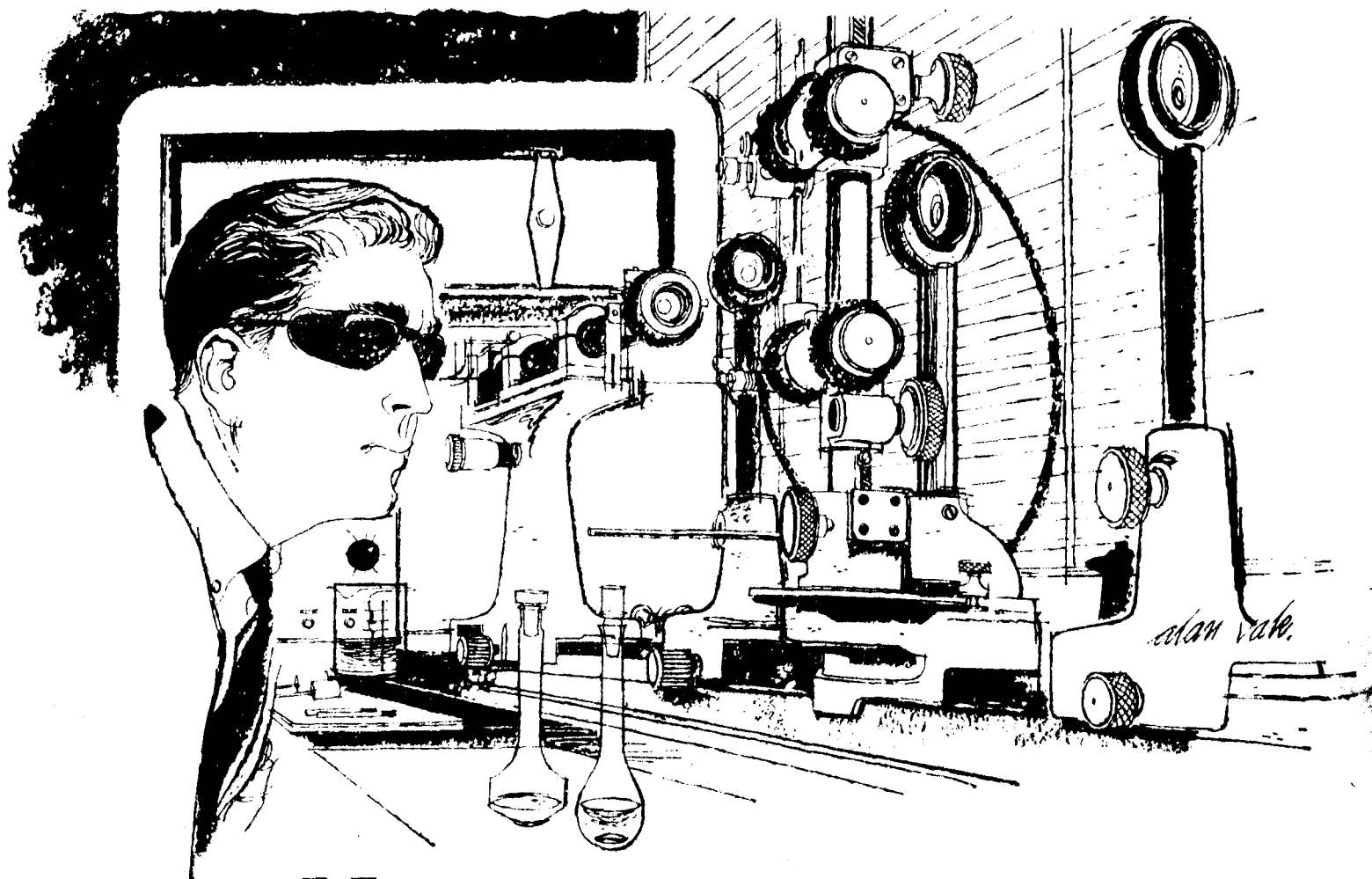
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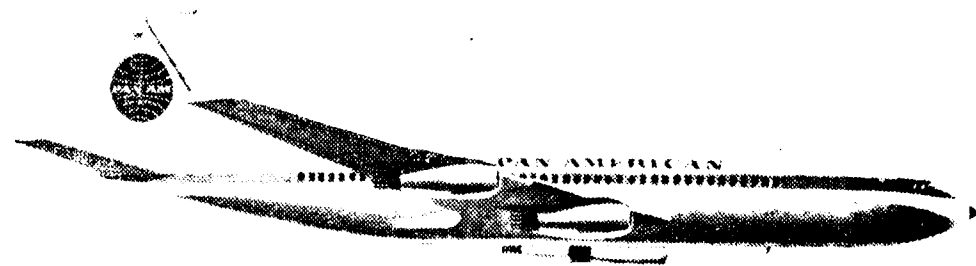
COMING SOON. Other features to be published during the next two months include "Renoir, my father" by Jean Renoir, and "To Katanga and back" by Conor Cruise O'Brien.

SUNDAY TELEGRAPH

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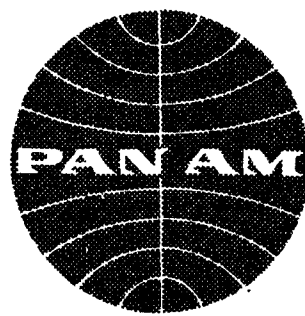
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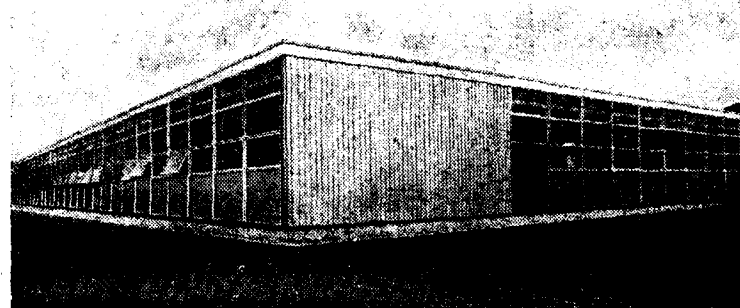


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Facing the Commonwealth

NO parallel can be found in world history for the phenomenon represented by the conference of Commonwealth heads of government that opens on Monday. In essence, a group of former colonies is complaining of the former ruling power's exercise of the same full freedom of decision that they themselves have won from it. The fact that this is such a strongly "anti-colonial" period of history makes it all the more remarkable to see ex-colonies protesting that the ex-imperial power ought not to weaken the bonds between them that have survived the end of empire.

Without denying the reality of the problems and pains that the conference must face, one may yet point out that it is an instructive spectacle—instructive for all the countries concerned. Whatever impact the British effort to enter the European common market has on the Commonwealth, it ought to put paid to some of the illusory beliefs about the Commonwealth that do it nothing but harm. There are still lingering traces of the old British assumption that other member countries should always follow Mother's lead like dutiful daughters. This notion, however, has never regained the hold it lost during the Suez conflict of 1956. In recent years the same kind of one-way concept—turned round to face the other way—has emerged more clearly in other Commonwealth countries, in the shape of an assumption that, while they should be able to plot their own courses in complete freedom, Britain ought to remain bound. From time to time this belief has led Asian and African member nations to give warning that they might quit the Commonwealth if Britain persisted in some policy that angered or embarrassed them. The idea that Mother might go off on her own never came to mind.

The British could not very well answer such claims as long as they themselves clung to the mother-daughter concept. There is no doubt that this concept has served a valuable psychological purpose. It provided a shock-absorber that eased the transitional pains of disimperialism. But the time has surely arrived when Britain not only can afford to cast aside this psychological prop, but indeed must cast it aside. Constitutionally, the Commonwealth nations have long been not mother and daughters, but a sovereign sisterhood. The reality of this relationship has now to be accepted both because it is a reality, and because Britain cannot otherwise assert the claim to full national independence that the other member countries make.

However the haggling works out, it would be absurd to pretend that British entry into the common market will leave the Commonwealth unchanged. But it would be equally absurd to argue that change must, or can, be avoided. The Commonwealth is a child of change. Beneath the surface continuity that yields so much balm to uneasy minds, yet tends to confuse all minds alike, change—dynamic and decisive change—is its essential characteristic. Only because it has shown itself so capable of adapting its form and substance to a fast changing world has it survived and evolved so astonishingly.

Little more than a generation ago, even the old "white" dominions had not achieved complete institutional self-sufficiency. Since then, the Commonwealth membership has evolved from a small, intimate group to the formidable numbers that will crowd the new council chamber at Marlborough House on Monday. The original "white" membership has become a minority element in a multi-racial one. Four republics, and one separate monarchy (Malaya), have been

dovetailed into the system that formerly knew only one crown. The emergence of a military regime in Pakistan, of a virtual one-party system in Ghana and Tanganyika, has been accommodated. The right of member states to join other associations of their own choosing has been firmly established by usage, and, by the same pragmatic method, has proved to be no bar to continued Commonwealth membership.

Through all these changes, two things have stood out with growing clarity. First, no nation belongs to the Commonwealth except by its own wish. The exit door is always open. Membership is a privilege that has to be granted by the body of other members, not an obligation imposed by Britain on its former dependencies. Secondly, the basic bond is one of practical interest, not sentiment. (A distinction is needed here, between the general historic sentiment in which all Commonwealth countries have at least some share, and the close personal ties of blood that link people of British stock. Blood is thicker than sentiment.)

It is oversimplifying to indentify the practical interest of Commonwealth membership with the system of trade preferences instituted at Ottawa in 1932. In fact these preferences, although usually called Commonwealth preferences, have for years been enjoyed by countries outside the political Commonwealth such as Burma and Ireland, and most African members of the Commonwealth give no preferences at all. The sterling area, which excludes Canada but includes a miscellany of "casuals" ranging from Iceland to Libya, corresponds even less accurately with the political Commonwealth. The Colombo Plan, initiated in 1950 as a framework through which the richer Commonwealth countries would help the Asian ones to help themselves, has already been enlarged to bring in non-Commonwealth countries both as beneficiaries and as contributors. Thus it is amply clear that a country can enjoy the benefits of these various systems without belonging to the political Commonwealth at all.

THE practical advantage that is really to be identified with membership of the political Commonwealth lies mainly in the realm of consultation—both political and economic. This is not a measurable matter: its value can be assessed only by the evidence—impressive evidence—that the member countries prize it highly. And the special value of Commonwealth consultation is that it bridges the gulfs that tend to yawn ever wider between the world's rich white north and its poor brown and black south; between countries allied to America and preoccupied with the perils of a divided Europe, and countries only lately freed from European rule and still in recoil from the west.

The Commonwealth countries have been described, in these columns and elsewhere, as a bunch of keys. Each member nation has its own links with neighbours and like-minded friends; and between them they can open doors into most of the world's regions. Europe is not the least important of those regions; and, even if a stiff price has to be paid for British entry into the common market, that entry will still serve the whole Commonwealth's long-term interest better than would the cutting off of these islands from the continent off whose shores they lie.

It is not only a matter of the need to strengthen Britain's economy so that it can improve on its present very limited ability to meet the Asian and African Commonwealth states'

growing needs of capital, technical aid, and export markets, although that is in itself important. What the British entry into the common market ought in the long run to offer the Commonwealth is a firm link with the new Europe that is now being shaped. The vision of this great adventure—for that is what it is—is only too easily lost from sight among the wrangling about immediate and particular interests. But the question that leaders of opinion in Commonwealth countries should really be asking themselves is: do we want a key to the European door, or do we not? If the answer were to prove a negative one, that would—tragically—suggest that the Commonwealth has exhausted its vein of dexterous adaptability to change in the world. Mother would then be well advised to do something shocking: switch off her deaf-aid and go on regardless with the course of action that is necessary.

Will They Have Us?

Is the last obstacle to our European outlook the Commonwealth, or the two old gentlemen of Europe who have been meeting this week?

FROM the homely and animated Commonwealth debate in London, it is a far cry to the Wagnerian reception that west Germany is giving President de Gaulle, as the two grand old men of Europe celebrate the Continental union they have built without the British. Not for the first time Britain's agonising effort to come to terms with Europe seems to be matched, not by a helping hand from across the Channel, but by a demonstration that Europe is getting on quite happily without it. This is not the happiest spectacle for a Conservative government which has staked its future on the European throw, and which now has the task of persuading the Commonwealth to agree. The familiar question echoes again—whether, whatever the British think about the European Community, the other members want them in.

It would be merely insular to see this week's visit to Germany by President de Gaulle as an anti-British get-together. The speeches and the ceremonial have a positive purpose, to deepen the Franco-German partnership which remains the indispensable foundation of the common market and of western Europe's resurgent position in the world. That partnership generally seems less real when one talks to the man in the Hamburg or Marseilles street than it does in Paris or Bonn. But the common market is already creating the powerful common economic interests and the habits of strength. Speeches and parades help to ice the cake and give more Frenchmen and more Germans a taste for it. The purpose—to bury the old and world-splitting conflict between two great peoples and create a new spirit of friendship—is noble, and Dr Adenauer, in particular, deserves praise for his long devotion to it.

What is worrying about the vision is not the danger that it may turn against the British, but the fact that it sometimes seems to contain no place for them, or indeed for a good many other Europeans. Is European unity to remain confined to Charlemagne's country, or is it to be enlarged to include

Britain and its European friends whose presence will naturally place Europe in its traditional world setting? In his letter to Mr. Macmillan on August 3rd and his television broadcast on August 28th Dr Adenauer's feelings were made disconcertingly clear. He seems to have relinquished his scepticism about, or opposition to, British membership of the common market only to retreat a pace or two and start resisting British membership of the European political union which he hopes will develop inside it. The old Chancellor knows his time is short and wants to complete his life's work soon. He seems more suspicious than ever of the British. Their attitude to the communists strikes him as unreliable; they threaten to lumber into the delicately balanced European construction, knocking it out of shape, just when the Chancellor is about to lower the political roof into place.

FORTUNATELY the response to Dr Adenauer's television gaffe provided healthy confirmation of the fact that German opinion is almost unanimously against him. The west German press has attacked him, emphasising the dangers of playing into the hands of the anti-common marketeers in Britain. "We should make the way easier" for the British, Herr Schröder, the west German foreign minister, emphasised in a press interview, aimed plainly at the Chancellor, and has gone unrebuked. Many thinking Germans who support Dr Adenauer in his reconciliation with France believe that the logical next step is an equally warm relationship with Britain. As they watch France grapple with its Algerian inheritance and remember their own past, they see that Britain's political stability will be an invaluable addition to the community.

Dr Adenauer's television performance has, if anything, weakened him and made it more difficult for him to suggest any further definite Franco-German moves without the British. When he visited President de Gaulle in Paris in July and the two men agreed to press ahead with the talks on political union before Britain's common market negotiations were over the hump, German opinion acquiesced cheerily and the British were told not to worry. German opinion is more watchful, and more suspicious of Dr Adenauer's intentions, today. This is not to say that there will be no further moves by the Six on political union this autumn. Some of those in Bonn who are most eager for a change at the helm feel that the more quickly Dr Adenauer can be given his last wish—a dose of political union—the more quickly he can be got out of the way and a start made on getting a little more sense into west German government. But men like Herr Schröder are determined that moves of this kind shall be made in close consultation with the British and with the clear intention that the British shall join in fully as soon as they can. The same climate of opinion rules in Rome.

The question remains whether President de Gaulle still hopes to make use of Dr Adenauer's current bout of Anglophobia to keep the British out in the cold, if not outside the common market, at least outside the inner political sanctum. We may as well face it that some Frenchmen think like this. When the talks among the Six broke down formally last April the French wanted to go ahead without the British, and the Dutch and Belgians would not let them. But since that breakdown the French, who do not like to be isolated, have been letting other people make the running in trying to start

the talks up again. Paris has shown signs of a growing acquiescence both in British membership of the common market sooner or later, and in the fact that it may not be possible to shape the European political edifice until the British are in and the new shape of western Europe becomes clearer. General de Gaulle is rarely the man to hurry. If the French obviously have no intention of hastening or smoothing Britain's entry to the common market, they also seem to have subdued the urge to hasten the construction of a political union without them.

The reason may be merely practical. Since the talks collapsed in April, the differences between the Benelux countries and the French have never been completely bridged. After his tiff with Mr. Gaitskell in July M. Spaak did appear to waver in his determination to wait for Britain and inclined, much to Dr Adenauer's delight, to press for a resumption of the political discussions amongst the Six. But M. Spaak's attempt in August to get the talks going again on a revised basis ran into old differences about the form the political structure is to take. M. Spaak wants to pool the power to make foreign policy decisions in a manner that would not square with President de Gaulle's conception of a "Europe of states."

The odds are that discussions among the Six on political union will be resumed this autumn, but without haste. The suggested summit meeting of heads of government in September has been dropped. If the British handle the question wisely, it will not be difficult for them to be brought gradually into the discussions, so that they can slip easily into the union as members when they enter the common market.

By the time the political talks get going the outcome of Britain's common market negotiations should be clear. Looking back in tranquillity at the emotions and excitements of last July it still looks remarkable how much of the vast problem of Commonwealth trade has been covered and how near agreement is. There are some hard bits still to come, better defined than they were before the midnight struggles of early August. Mainly they involve either straightforward haggling (like the remaining unsettled tariffs, on aluminium and so on) or simple battles about wording, with the British trying to give more precision to expressions of good intentions by the Six. The French will continue to bargain hard; new snags will make their appearance. But with so much ground covered, and so much achieved for Commonwealth interests, a breakdown now would be unpardonable.

When all is said, the chief danger remains that the Commonwealth, acting as a catalyst on British opinion, might force the Government to send Mr. Heath back to Brussels asking for more than he can conceivably hope to get. Commonwealth prime ministers can expect a balanced deal, with each side giving something up, and the elements of such a deal will in fact be on their tables next week. They cannot expect to get everything their way. Britain is half-way into Europe by now: the remaining European opponents of British entry are outnumbered and lack the power to shut the door. Probably only the Commonwealth and the British public, by jumping the wrong way now—and by sapping the nerve and the will of the British Government—could provide them with the means.

Uhuru for Britain

Southern Rhodesian Africans may use some African and Asian prime ministers as their spokesmen at the Commonwealth conference next week. Britain should send back a reply by the same channels

NEXT week the British Government will have more than just the Commonwealth and Europe to worry about: there will also be Rhodesia. When the Commonwealth prime ministers settle down to confer at Marlborough House on Monday, they will be expected to focus on the effects on Commonwealth countries of Britain's application for membership of the European common market. But Sir Roy Welensky will be there with the rest of them, and he will not seem himself if he confines his remarks to the subject of Rhodesian trade with Britain and with Europe. The African and Asian prime ministers will certainly not seem themselves if they forbear to say anything at all about Rhodesia, either privately to one another (and to Mr Macmillan), or publicly to the newspapers and television cameras.

Some of them may feel tempted to call for the exclusion of Sir Roy from the conference on the grounds that he is not head of a sovereign state. Such an argument would lose itself in complexities, however, since the prime ministers of British Guiana, Malta, Singapore and Uganda, the finance minister of Kenya, and an official from Hong Kong will all be present—although none of these countries is yet independent. These representatives will have the status of advisers to the Colonial Office, but they will be able to speak on matters directly affecting their interests. Sir Roy's status is that of associate, allowed to sit in on all discussions except those about constitutional affairs. The presence of a white political leader from Rhodesia has been accepted at Commonwealth prime ministers' conferences since Sir Godfrey Huggins (now Lord Malvern) started coming a quarter of a century ago: it would hardly be possible to make a serious (and successful) challenge now.

But, with South Africa out of the Commonwealth since the last meeting, Rhodesia is now the main target within the Commonwealth of governments that oppose white rule over black men. Last time, a threat from Tanganyika (then a colony) to withdraw from the Commonwealth if South Africa stayed in proved effective. This time, an independent Tanganyika will be represented by a new prime minister, Mr Kawawa, deeply conscious of his ties to his fellow African nationalists. Tanganyika is across the border from the federation of Rhodesia and Nyasaland; Dar-es-Salaam, Tanganyika's capital, is the capital of African nationalist pressure against white rule within the federation. This pressure is sure to be felt in London next week. What kind of report will the British Government be able to make?

Mr Butler, as minister responsible for Central Africa, will be able to say that repeated British assurances (there are many of those to be quoted next week) establish that the future arrangements within the Rhodesian federation depend upon the consent of its inhabitants. Mr Butler's special advisers left London on Tuesday for a second tour of the federation to find out what will be consented to and what

will not. They should be able to report next month. It is more than likely that they will tell Mr Butler that the federal government, as a centre of white authority, cannot continue in existence for much longer, since the necessary consent is not to be had.

At the end of October Northern Rhodesia will hold elections, and there is every chance that these will put an end to white control over the government of that territory. All the contesting parties, excepting Sir Roy's United Federal Party, are for the break-up of the federation: Mr Butler will be in no doubt after October what the northern Rhodesian majority wants. Nyasaland, now only nominally in the federation, has virtually been disposed of already; it is an African state, run with increasing sureness by an African government. A conference on its future, to be held in London in mid-November, may set it on the road to independence.

So far, the British Government ought to be able to get sympathetic nods from most of the African and Asian prime ministers, most of whom are reasonable men. It is when it comes to Southern Rhodesia that the difficulty arises. Either Britain is directly responsible for Southern Rhodesia, or it is not: the British Government has to make its mind up. The Africans and Asians (supported by the United Nations and the political left wing in Britain) have all pointed out that, on paper, Britain has the power to put Africans in control in Southern Rhodesia. The British Government's reply is still that Southern Rhodesia's government have been allowed to do as they please since 1923 and that nothing can now be done to change this.

Yet Britain is still held responsible, as next week will show. If the British Government succumbed to the temptation, which at times must be strong, to cast off Southern Rhodesia by granting it, as it is, immediate independence, there would be an outcry against handing over the colony's three million Africans to the (permanent?) control of its 210,000 whites. Yet, except on paper, that is the position already. The only way out of this trap, short of an unthinkable clash of force with the white Rhodesians, is the slow and painful one of putting whatever pressure is available on Sir Edgar Whitehead's Southern Rhodesian government.

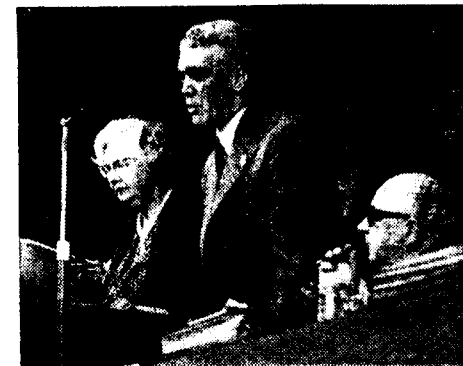
For instance, Sir Edgar needs money. In the circumstances, ought it always to be given without extracting a political price? On August 23rd the British Government lent Southern Rhodesia £3½ million, which Sir Edgar will spend on roads, rural development, 4,000 African houses, and quarters for 500 African policemen. On the face of it, this money will be well spent, but it would have been still better spent if Britain had tied to it a strong hint that Sir Edgar's newest repressive legislation is unwelcome. If violence is to be avoided in Southern Rhodesia, Sir Edgar must be persuaded (and not too softly) to open up a short road to political power for his country's Africans. New houses, and desegregation in every aspect of Rhodesian life except voting, will not be enough.

If it is replied that, once in power, Africans will prove to

be irresponsible, or dictatorial, then it must be admitted that this may be true. But the longer and the harder their struggle for power the worse they will be when they do get in: the urgent need is to get black men into positions of responsibility in Southern Rhodesia now. The British Government will be expected to carry the can if black frustrations and white stubbornness meet head-on and bloodily in Southern Rhodesia: it ought to do its best to avoid such an eventuality.

Apart from pressing Sir Edgar, the British Government might talk back to Southern Rhodesia's Africans through their own channels. It could be pointed out to the African and Asian prime ministers next week that Southern Rhodesian Africans are in a different situation from any that has been faced by any of the prime ministers at Marlborough House. All the colonial struggles in British territories to date have been directed towards getting Britain to withdraw, and Britain has not generally been reluctant. Southern Rhodesia is different; the struggle there is an internal one, and the black men cannot rely on Britain wresting power from their white rulers and handing it over to them. Neither is the United Nations in a position to do this. Southern Rhodesia's black

Blackpool Opera Mouse



Our special correspondent reports from the Trades Union Congress

ALMOST anything not actually dead can give an impression of youthful virility at Blackpool, that monstrous monument to bygone holidays. But the Trades Union Congress, labouring away in the mountainous opera house this week, failed to persuade your listening correspondent that it was about to give birth to anything very impressive. Three inter-connected debates on three successive days could have permitted the congress to discuss its capital problems. Is the present structure of 182 unions affiliated to Congress the most suitable for the modern world? What should be the bargaining objectives of the affiliated unions? Should the unions co-operate with the Government in really planning the economy—and real planning must include wages? With the television cameras beady watching the whole proceedings, and with an unequalled horde of journalists aching for a nice story, the TUC—despite some of the nice headlines it has received—chose in effect to stuff its skeletons publicly back into the cupboard.

Mr George Woodcock himself set the tone on Monday. A motion from the Union of Post Office Workers called for a revision of the structure of the TUC and of the whole British trade union movement to fit it for modern industrial conditions. Mr Ron Smith presented it in the most moderate of terms, acknowledging that the idea is hedged about with emotional taboos, but urging nevertheless that the general council should prepare a report for next year's Congress that would set the wheels of reform turning. After his speech (which was really rather a good one), his supporters promptly

men will have to do the job themselves. The only parallel is South Africa: the difference between the Republic and Southern Rhodesia is that white Southern Rhodesians are susceptible to constitutional and extra-constitutional black pressures.

If this message were successfully put across (in private conversation) next week, it might filter back, via Dar-es-Salaam and the other places, to Mr Joshua Nkomo's African nationalist party in Southern Rhodesia. (Mr Nkomo hastily flew from Salisbury to Dar-es-Salaam on Wednesday to catch the Tanganyika prime minister before his flight to London.) They might then appreciate that it is up to them to fight Sir Edgar Whitehead and his party in the courts and in the country's own peculiar version of a parliament, and not just by strikes and boycotts. No outside power can turn the black-white tables for Mr Nkomo: the British Government must try to convince him of that. By this slow process—of direct pressure on Sir Edgar and indirect talking to Mr Nkomo—Britain may move towards *uhuru* (or freedom) from its central African problem, a problem that is almost as intractable as its European one.

dragged the debate down to the level of a footling and irrelevant squabble about the European common market—from which one had a right to expect that Mr Woodcock, replying on behalf of the general council, would raise it.

Unfortunately, the general secretary, although he declared that this could be the beginning of a "tremendous undertaking," chose to embark on a lengthy quibble. ("Structure is a function of purpose" was how it began.) He said that any report would take a good two years to prepare, and he forecast that the second year would be taken up largely by private negotiations with the many unions whose vested interests could be affected by any reform. That such negotiations would need to be painful to many is of course true—so true that it scarcely needed saying. But that the general secretary decided to lay his main emphasis on this and not on the need for reform seemed defeatist and sad. This gloomy first impression may be an underestimate of what Mr Woodcock will achieve; let us devoutly hope so. But his estimate that trade union leaders will have to take so long in answering his basic question "what are we here for?" is hardly an expression of confidence that they are on top of their job. With members of the general council in such a cautious mood, it would have been better to have entrusted the compilation of the original recommendations to an outside committee (like the Gaitskell report on the Co-operatives) drawn from other segments of the labour movement, instead of from active trade union leaders themselves, and then to have started the watering-down only at the second stage when negotiations began

with individual unions about implementation. But nobody dared to suggest that.

The Tuesday at Blackpool also provided its chance. Mr Frank Cousins in his most sober and cogent vein called upon the general council to set under way an inquiry into ways of securing and co-ordinating claims by different unions for fringe benefits such as health schemes and redundancy pay arrangements. He was followed equally cogently by the (normally even more left-wing) Mr Clive Jenkins of the supervisory staffs, who also emphasised how little co-ordination there is between unions in seeking to wrinkle non-monetary concessions out of employers. The preparation of this report would throw a new set of responsibilities on the general council, and could in the long term considerably increase its powers to correlate the actions of individual unions. But the motion was approved without further comment from the platform or from the floor.

The private explanation of this was said to be that Mr Cousins and Mr Jenkins, in discussions with the general council, had got everything buttoned up. The TUC is never tired of emphasising that its main job is to educate people: if even during its annual public spree, and when it has a particularly good case, it is going to carry out its business in hugger-mugger what becomes of even this brave claim to credit?

Hope still remained. On Wednesday the Congress was to discuss planning: Neddy was to be blessed, Nicky slammed, and the TUC's own new philosophy of wages unveiled. Mr Woodcock once more set the ball rolling. That he would start with demagoguery was predictable. That he continued in the same vein was appalling. He accused the Government of not having the slightest idea of how to get order into

wages; but his own notion appeared to be that the best way to keep wages in line with production is to create a mood of general benevolence in which everyone will behave rationally. Even then "no discussions we (the TUC) can enter could lead to anything like the pay pause or the guiding light." He produced a few cheap jibes ("private enterprise has never produced a decent citizen—all it does is to produce the spiv and sometimes the thug"). He harked boldly back to 1944 to prove that the TUC had once been willing to discuss wages rationally with a government. Finally, he observed that the National Economic Development Council was something that the TUC has been asking for for a long time, and sat down, the future ignored, with yet another appeal to inherent British decency.

The next turn was Mr Cousins—again this time advocating a long and complex motion, the result of squeezing together the thoughts of twelve separate unions. This text opposed the pay pause; called for planning, expansionary policies, and the election of a Labour Government, and requested the general council to work out a statement of its own economic objectives and a plan to remodel the trade unions in order to achieve them. Once more the speakers avoided this last and main issue to concentrate on a largely irrelevant squabble over whether or not the TUC should so formally commit itself to supporting Labour. (Unions that want to should vote "yes," those that do not can always vote "no.")

The debate then evolved into an argument between a group of right-wing white collar unions—joined by the new spokesman of the readmitted Electrical Trades Union who to his credit was the only man to plead for a reform of the TUC's structure—and an equally small group of obstructionist little craft unions whose left-wing spokesmen spoke mostly in impenetrably Scottish accents. The debate was memorable only for the fact that Mr Danny McGarvey, Mr Ted Hill's left-hand man and leader of the Clydeside boiler-makers, was actually laughed at for his extravagance. Predictably enough the general council won the approval of Congress for its decision to enter Ned by a massive majority.

It is in the size of this welcome majority that the whole pity of the thing lies. Mr Woodcock wants to reform the TUC. Mr Cousins wants to reform the TUC. Practically everyone now says he wants to reform the TUC, save for a few old-fashioned craft union leaders who stand to lose their jobs or at least their privileged positions if it is reformed. Because their small unions are most often both bound by tradition and threatened by economic progress, these people normally stand on the reactionary left that has for so long blocked the more progressive leanings of the TUC. This year they bit the dust. But out of superstitious fear of them the more intelligent and modern-minded trade union leaders funk the main issue of this Congress—the vital question of modernising their own organisation to fit it for today.

The European debate on Thursday also dodged wide around the main issues; by almost 4 million votes the Congress decided, as recommended by the general council, to fail to make up its mind. The most hopeful, but not unambiguous, news for the Labour party was that Mr Cousins, although he did not speak on the motion, sat with his delegation while they voted to join the general council on the fence. What is more the row of small left-wing craft union spokesmen who opposed the general council did so in unwontedly

mild tones; they failed to be made very angry even by Mr Harry Douglass of the Steelworkers who presented the official wait-and-see report. Mr Douglass, in a fervently pro-European speech, denied that he was speaking in favour of Europe. He confused the issue by gnomic statements ("we are not sitting on the fence, we are hoping to open the door to see what is behind it"); and he chose to claim, in conciliatory mood, that "there is not supra-national authority in

Snow on Their Boots

Russian troops in Cuba? Maybe, maybe not. It is not this that will decide Dr Castro's fate

FLYING Dutchman, wandering Jew: the disembarking Russian, with snow on his army boots, is this century's recruit to the company of spectral travellers. The one thing known for sure about his latest manifestation, in Cuba, is the existence of a tented camp a dozen miles outside Havana containing a sizeable number of healthy-looking young Russians. All else is speculation: that the young men are not technicians, as the Russians and Cubans say they are, but soldiers (Senator Keating); that there is evidence of four Russian intermediate-range missile bases on the island (Senator Thurmond); and that these developments require the United States to invade Cuba instantly (Senator Capehart). Unless the senators possess information denied to their government, there are still no solid grounds for believing that the Red Army has moved into Cuba as a combat force. Healthy-looking young Americans, after all, have been seen disembarking in various countries since President Kennedy took office; no one has yet suggested that the Peace Corps is a branch of the United States Army.

One way of working out what the newcomers could be—soldiers, technicians, or perhaps a bit of both: instructors for the Cuban army—is to ask what they could be used for if they really were fighting men. Not, presumably, for putting down the rebels still apparently operating in the hills of Matanzas and Pinar del Rio; the native *barbudos* can teach the Russians more about guerrilla operations than *vice versa*. And they are certainly not going to be used for keeping the rest of the population in order; if Dr Castro were thinking of having rioters cracked over the head by Russians, he would be madder than anyone has ever suggested. The unlikely job of all, although this is what some people seem to think the Russians are meant for, is to conduct subversion in the republics on the mainland. Can anyone really imagine these young Slavs, mumbling heavily Russian Spanish, moving among the local Hispano-Indians "like fish in water" (Mao Tse-tung's phrase)?

In fact, the only plausible employment for the new arrivals, assuming they are not just lathe-operators and tractor-drivers, is to do more or less exactly what the Americans are doing in South Vietnam; that is, to train the local army to fight a more advanced kind of war than it has hitherto been used to and, if necessary and unavoidable, to fire a shot or two themselves. But the only sort of advanced warfare one can imagine the Cuban army getting involved in is the defence of Cuba against another invasion. It does not command the sea and air power required to launch an assault of its own across the Caribbean; President Kennedy conceded as much

the European Coal and Steel Community." Prevarication seems to be becoming a habit among top trade unionists.

The one hopeful aspect of this year's meeting has been to throw into the hands of Mr Woodcock and his intelligent bureaucrats the chance of releasing the cat next year among the complacent pigeons. But at Blackpool this week it required a great effort of faith to believe that the pigeons will be made to say more than "coo!"

on Tuesday. Mr Kennedy said on August 29th that he thought it would be a mistake to invade Cuba again. The Cubans, on the other hand, published on September 2nd the names of twelve places in Guatemala, Nicaragua and Panama where they say invaders are being trained by the Central Intelligence Agency. The Cuban fears may be misplaced this time; but it is comprehensible that Dr Castro—once bitten, twice shy—should at least have taken the precaution of putting some Russian polish on his forces.

Let it be, however; suppose that the Russians are real soldiers, not just electronics wizards. So what? Whether they are troops or technicians is at bottom immaterial; not in the sense Senator Capehart means—that American intervention is justified in either case—but in the sense that the Americans cannot very well assert the right to intervene, whatever the Russians are. Doubtless, in a perfectly ordered world, the Monroe doctrine would require the removal of these alien intruders. But in the imperfect real world, where the Americans keep troops along the border of the communist block (in one case, within it; remember Berlin), and claim an unhindered right of access to these outposts, it is going to be awkward, to say the least, to expel or blockade the Russians in Cuba. Mr Khrushchev has made the neatest of moves in the international chess game; take my pawn in Cuba, he says, and you risk your castle in South Vietnam—or your Berlin queen.

In any case, the eventual fate of the Castro regime is not going to be settled by the presence of a few hundred Russians, no matter what their precise job is. If Dr Castro is one day replaced by a democratic government, it will not be as a result of the one threat against which Russian advisers can give his army any real help—a regular invasion, à la D-day, from over the sea. The United States learned its Cuban lesson in April last year. This is that the overthrow of Castro will have to be brought about by disgruntled Cubans, inside Cuba. The United States can perhaps help to organise and supply a rebellion, as the communists do elsewhere; it cannot import a rebellion, prepackaged.

GIVEN enough time, and enough rope, the Cuban regime may yet produce the internal disaffection that will be its downfall. The various elements in the Castro government are still not at ease with one another. Dr Castro's attack on a number of communists in March, and the flight of one of them, Anibal Escalante, to Prague, demonstrated these dissensions. Moreover, Dr Castro has felt obliged to do two things this year that endanger his popularity among poorer Cubans. The stringent rationing imposed on March 12th was one. The other was the announcement on August 18th

The Economist

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THE CAPTURE OF GARIBALDI

THE capture and defeat of Garibaldi have produced a much greater sensation on the Continent than in this country. In England, the thread of vanity and self-will which has marked Garibaldi's political career, and made him seem to us often assuming on the strength of his magnificent services to the Italian crown, combined with the want of political sagacity which he has shown whenever tried in administrative or deliberative capacities, has very greatly weakened the force of the admiration with which we regarded his disinterested patriotism and his marvellous genius as a guerrilla chief. The popular impression here has been, we think, that Garibaldi deserved to fail, and that, though we may pity, we cannot regret his failure. But the Liberals of the Continent, accustomed as they have been to a despotism which makes courageous revolutionary self-will seem almost a virtue, when accompanied, as it is in Garibaldi's case, by a most fervent love of country, have felt a very different and far more lively emotion of grief, almost approaching to dismay, at the fall of the one great man whose mere name has long sufficed to inspire with hope and courage the downtrodden nations of the Continent. And probably their feeling in this respect is more nearly just than ours. Garibaldi has had no antecedents that could teach him the terrible danger of the step he was taking. He has learnt only the evils of despotism, and little of the great national risks of a too headstrong and impetuous resistance to legitimate authority. But it is impossible to measure the most Italian of Italians by an English standard, and it seems certain that if Garibaldi has been rash, vain, and self-willed, these are faults which the sad circumstances of his country tend to foster in a courageous and magnanimous mind bent on sacrificing all to the cause of liberty.

that (presumably in order to increase agricultural output) the peasants' prized co-operatives were to be converted into collective farms. Dr Castro has shown that he does not care whether the middle class is with him or against him. If his support in the countryside begins to fade, one of the conditions of a successful revolt against him will have been established.

The Americans doubtless hope that discontent will spread. If it does, the only way in which the Russians could prevent the consequences the Americans are hoping for would be to "do a Hungary": that is, to keep the Cuban government in power by force of arms when, without Russian aid, the government would be blown away by an explosion of popular hostility. But one has only to state this possibility to see how remote and unreal it is. It would require a massive and overt Russian garrison, the process of establishing which would probably cost Dr Castro his remaining popularity.

And, if the test ever came, it would be far harder for the Russians to keep an unpopular government in office in Cuba than it is for the Americans to do a similar job in other parts of the world which are better left unnamed. Mr Khrushchev has no Sixth or Seventh Fleet to keep his supply lines open.

If one looks at recent events in Cuba coolly, the only possible conclusion is that there is no cause yet for the Americans to take action. Mr Khrushchev has decided that Dr Castro is worth a little more investment, in the form of steel mills and military assistance. But the military assistance is of a kind not particularly relevant to the main danger facing Dr Castro; and Mr Khrushchev is still carefully not offering an outright alliance. If things go the way the United States hopes—if discontent grows inside Cuba—any further investment in Dr Castro is going to look very risky indeed to Moscow. Patience, not a choleric lunge, is the Americans' best policy.

NOTES OF THE WEEK

PERSIA

Voice from Below

IN classical times Greeks and Romans saw in earthquakes the wrath of the gods. Two thousand years later, our attitude is not much changed. Although seismology has been a serious study for nearly two centuries, man has still not discovered a means of effectively predicting earth tremors; we still refer to them, quaintly, as acts of God. This is a strange commentary on our scientific age. Last weekend Persians endured their third major earthquake in the last five years. Affecting an 8,000-square-mile triangle between Kazvin, Hamadan and Saveh in north-western Persia, this latest disaster has taken a toll of probably 10,000 lives, perhaps many more.

Horrid doubts are caused by the knowledge that the human species has now acquired a certain power to mess about with its environment. There seems no reason

to suppose that this new kind of human interference has any seismic effect, and in particular to think that the fairly minor, non-nuclear, explosion set off by the Russians near Tiflis on Saturday night had anything to do with the earthquake. But man's growing capacity for deliberately destroying his fellow-men needs an occasional reminder of the forces he is playing with. We are still as helpless, and almost as clueless, in the face of an earthquake as the ancients described by Aristotle and Pliny. Everyone mourns for Persia, and there are urgent practical ways of showing sorrow in responding to the many appeals to send prompt donations for relief work. But charity, tears and prayers should not be the twentieth century's only thought in the face of such disasters.

cern of the British Government where he should go once he has left, so that one had not thought that Dr Soblen could be stopped by British law from disappearing behind the iron curtain.

A second cause of misgiving in the Soblen case concerns the procedure for deciding upon deportations. A principal argument put forward by Dr Soblen's counsel was that an alien should not be deported without being given an opportunity to be heard. This is not a statutory requirement, but one had thought it a principle of natural justice. It was disregarded in the case of *Re Venicoff* (1920 3 K.B. 72) which held that on the wording of the Aliens Order 1919 the Home Secretary need not receive representations before making a deportation order. This was a bad decision which it was open to the Court of Appeal to overrule, but instead of doing so the Court confirmed it on the ground that since the wording of the 1919 Aliens Order had been repeated in its successor of 1953, Parliament must be presumed to have thought *Re Venicoff* good law. Many British liberals think it much more likely that the Members of Parlia-

under the rule of *habeas corpus* one had supposed he could not be surrendered to a foreign country unless he had committed one of the offences covered by the Extradition Act of 1870 and the treaties made under it. Now the Court of Appeal has held that, whatever the background, the Crown is entitled to send an alien home to his own country under normal deportation procedures. This could make nonsense of the convention that fugitive criminals are not to be extradited for political offences. Obviously the Government must have power to deport aliens whom it considers undesirable (which Dr Soblen no doubt is). But the Government's concern with a deportee is that he should leave this country; it has not hitherto been supposed to be the con-



But not on Thursday

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ment concerned had never heard of *Re Venicoff*.

The court's decision is doubtless technically defensible, but it seems to illustrate once again the lengths to which British (as distinct from American) judges will go to accommodate the policies of the executive. If the law of deportation is now to be altered, this can be done only by Parliament. Parliament should do so.

BERLIN

With Knobs On

IT has given many people a glow of satisfaction that on Tuesday evening the Russians in Berlin did as they were told, and sent their guard to the Red Army memorial in west Berlin by way of the Sandkrug bridge instead of the usual Friedrichstrasse route. Everything went neatly according to plan. The Russians presented themselves at the Sandkrug bridge as instructed, amiably waited until their British jeep escort turned up, trundled their new guard the half mile to the war memorial, and trundled their old guard out the same way. Of such stuff are the little victories of the cold war made.

If the preservation of the western position in Berlin were simply a matter of scoring points off the other side, this minor knuckling under could be chalked up as a victory, and no more said. In fact, the matter is a great deal more complicated. It may be that the allies, for the sake of demonstrating that they too can give orders, have done something that brings them no visible benefit, and may cause them some embarrassment. The change of route will not safeguard the Russian soldiers against demonstrations by angry Berliners (the ostensible reason for the change). The Berliners, if they are minded to, can gather to throw bricks without much difficulty in the half-mile from the Sandkrug bridge to the war memorial; there was a minor demonstration on Tuesday evening.

The Russians understand perfectly well that the real point of the operation was simply to say: The same to you, with knobs on. The trouble is that the Russians have so many more opportunities in Berlin for saying this than the allies have. By limiting even in this one minor respect the freedom of movement of Russian troops visiting west Berlin, the allies have done nothing to strengthen their claim that Berlin is legally one city, not two; and they have probably pickled a rod for their own backs. For every point at which it is within the physical power of the allies to make things awkward for the Russians, there are twenty where the Russians can make life awkward for us; not least along the supply routes. It is in this that the Berlin problem consists. The allies' interest is to tamp down, not encourage, this contest in petty beastliness.

ALGERIA

In Search of a Government

RIGHTLY Mr ben Bella described the cease-fire announced on Tuesday between the two army factions, for and against his bureau, as a "victory for the Algerian people." If it lasts (already there have been infringements) it will be just that. Rarely has a whole population, dragged by its leaders and soldiers, to the brink of a civil war, expressed with more courage and vigour its corporate will for peace. Last weekend's demonstrations in Algiers, calling for bread and work, elections and a government, drew greater crowds than ever turned out for either Mr ben Bella, or Mr ben Khedda before him.

At various points of the country men and women threw themselves fearlessly between the opposing troops. Mr ben Bella himself, venturing out from Oran (whither he retreated last week) and injudiciously wearing uniform at the head of an armoured unit, was turned back at Tiaret by the same crowd that less than two months ago was excitedly fêting him. Such heroic passive resistance was powerless to avert all armed clashes, but it took the heart out of the fighting. Once Colonel Boumedienne's well-armed troops were marching upon Algiers, at the political bureau's request, the end was not in doubt. (No one except the Kabyles, whose territory was wisely bypassed, could take on their armour.) Mr ben Bella and his bureau would be shakily re-installed, but more than ever in debt to Colonel Boumedienne. This has now come about.

The political bureau, however, appears to be minding its step. Tuesday's truce contained face-saving clauses for the dissident soldiers of central Algeria; and with Mr ben Bella's return to the capital, his deputy, Mr Khider, declared that the bureau would soon hand over to "a legal authority emerging from the elections." One must hope it will. Mr ben Bella has many of the right ideas, not least for reconverting the army, which, he claims, has swollen in the past two months to perhaps 150,000 men. But the bureau is too much dependent on Colonel Boumedienne's forces who came from Tunisia and Morocco for the guerrillas of the interior to feel they would get a square deal if the bureau alone was the agent for carrying out reconversion. Only a government that looks and behaves like a government can steady Algeria.

LIBERALS

The First Llandudno

THE season of party conferences will open at Llandudno on September 18th with the largest Liberal assembly of recent years; 1,400 delegates are expected, twice

as many Liberals as turned up at Llandudno in 1955. The final agenda, published this week, is in most respects rather heartening. The Liberal executive keeps a watch over this agenda by compositing into multi-point motions the ideas that it wants approved, and by inserting into other people's motions amendments to points with which it disagrees. This year it has acted with some courage. Into a disarmament motion that sounded too unilateralist it has inserted an amendment asking the assembly to recognise "the need for American nuclear testing if necessary to preserve the balance of the deterrent." The motion on consumers' protection wants the Shops Act to "be amended to allow shopkeepers to open when they wish." On town and country planning and land problems, the Liberals (with their policy of encouraging major new "magnet areas" for regional development) are now speaking with more attractive economic expertise than either of the other parties. A motion on trade unions expresses readiness to encourage union membership by excluding non-members from redundancy benefits, but argues that intimidatory industrial action to obtain a closed shop should be considered a breach of contract. Apart from the usual bout of pensioning ("increase immediately retirement pensions"), this agenda contains less electoral bribery than one has come to expect in a party angling for parliamentary seats, and a much higher batting average of self-confident common sense.

It is therefore a pity that the Liberals have made one tactical mistake. They have adopted Labour's habit in the last parliament of getting party committees, of a rather uneven quality, to issue "policy re-thinking documents" for consideration by their annual assemblies. One of the documents published this week, on local government, is expert and imaginative. It welcomes the recommendations of the royal commission for the reform of local government in Greater London, and urges that a similar solution should be sought for other large urban areas such as Greater Birmingham, Greater Manchester, Merseyside, Tyneside, and the West Riding; it also recommends the application of the parish council system to small communities within large boroughs. But in another pamphlet for the assembly the "Liberal Party Industrial Affairs Committee" has tried to paint over a much wider canvas, and has made a rather unhappy blot of it.

Taming Directors?

IN between two fairly familiar ideas—for the establishment of a national redundancy insurance scheme which would provide much more generous treatment for the temporarily unemployed (along lines long advocated by *The Economist*), and for a switch away from national wage bargaining towards more plant-by-plant bargaining (but without really saying how to encourage this switch)—the Liberal report on "Indus-

trial Affairs" submits its proposals for "democratising" boards of directors. It suggests that all the functions performed at companies' annual general meetings, including the election of directors, should eventually be performed instead by an annual meeting composed equally of delegates elected by established employees (say, employees with more than three years' service or other appropriate seniority) and delegates elected by shareholders. In the nationalised industries the shareholders' place would be taken by MPs, chosen broadly in proportion to party strengths in the Commons. This presumably means that a Dr Beeching could generally be appointed or kept in office only if a majority of railwaymen and of Opposition MPs agreed, in which case it is highly unlikely that any new broom would ever be applied to dusty attics at all.

In the much wider field of private industry the results would surely be even more frightening. The "reform" would hamper all the industrial change that is brought about by the infusion of large blocks of new capital into firms that need renovating or expanding (because the men who infused the capital might find the businesses then run by somebody else). In existing companies the system would not be likely to lead to promotion according to merit (a top executive's merit can often be judged only by a narrow range of people) but according to popularity or even demagoguery; directors who tried to introduce methods of work study or other unpopular mechanisms for increasing efficiency would be liable to lose their jobs. Able outsiders would be unlikely to be co-opted by the tightly-enclosed "representative" meetings proposed. And . . .

But why go on? To do the Liberals justice the proposal is put forward only tentatively, with many "ifs" and "buts," and all sorts of proffered escape clauses. But, as Miss Nancy Seear points out in an able minority note of dissent, the real complaint against the many faults (including nepotism) in British industrial direction today is not "the alleged power of directors to use employees as pawns in their private game—a power which is in any case already very considerably limited by unions and the labour market"; the real complaint is that there is often too much inefficiency at the top. This report's proposal, however modified, would quite plainly increase that inefficiency. It is a silly scarecrow to have put up.

NURSES' PAY

Slap for Whom?

THE industrial court's award of a flat 7½ per cent wage increase for all nurses will be almost universally interpreted as another one in the eye for the Government. But in cold reality the decision is a prime example of the inability of the industrial court to do

NOTES OF THE WEEK

its job. Its findings this time make no comment at all on the chief submission of the management side that, in the context of the Government's incomes policy (and the Government is the nurses' actual paymaster, not the management side as the court seems to assume), it could not go above an offer of 2½ per cent at this time. The logical conclusion must be that if an incomes policy is to have any meaning at all, the Government must in future consider itself free to refuse arbitration of this kind, precisely as the unions do when it suits them.

Equally, the court gives no impression of any attempt to relate its award to recruitment in the nursing profession: that is, to discriminate between grades like ward sisters (which might well require more than 7½ per cent to ensure staffing of responsible posts of this kind) and junior entrants, where the case for an increase is much less evident. The court agrees that there is a present case for a thorough-going revision of the whole salary and grading structure, but believes that it should not try to pronounce on this until after the "two sides" (i.e., the nurses and the managements, but not the Government who will have to pay) have had a chance for discussion and negotiation: if the "two sides" have not agreed before the end of next March, the court will determine the matter. But, with all this still to be decided, it is even less possible to justify an indiscriminate hoick-up of 7½ per cent now on the ground that the level of salaries and training allowances, "is, in general, too low." The case for a National Incomes Commission, of a sort that will look at hard economic facts, instead of bowing to popular emotional impulses based on no scrutiny of economic facts whatever, is unconsciously made out in every line of the industrial court's quite incoherent statement.

CONGO

Twist On

IT was on August 28th, 1961—almost exactly a year ago—that Mr Tshombe of Katanga said, "We bow to the United Nations" and promised to remove the military gentlemen in his employ referred to by the UN as "foreign mercenaries." The promise was not carried out, and because Mr Tshombe did not in fact bow there was fighting between UN and Katanga forces twice before 1961 was over. What about this year? On September 3rd Mr Tshombe formally accepted the United Nations' plan for reunification of the Congo. He seemed to like the sketch of a federal constitution offered to him, and promised to join his army to the Congolese army, to pay "immediately" half of his mineral revenues to the central government, and to put his foreign currency earnings into the hands of an international organisation.

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These promises were made to some considerable extent under duress: the UN had threatened economic sanctions against Katanga unless it gave in. The formal capitulation of Mr Tshombe must now be welcomed, but it ought to be recognised that, on his past performance, the Katanga leader's undertakings are likely to be kept only while he remains under pressure. From now on, it should be made clear to him at every step of the way that he would fare worse by ignoring the instructions of the United Nations than by acceding to them.

He will not feel seriously under pressure if he is led to believe that the British Government would refuse to take part in a plan for economic sanctions against him. Britain might well be followed by Belgium, and the sanctions could then hardly be very effective. For U Thant, the alternative is to use force. What happens between now and the end of the year can therefore be largely affected by the attitude of the British Government. It should be careful not to do or say anything—publicly or privately—that might lead the Katangan government to go back on its newest undertaking.

GHANA

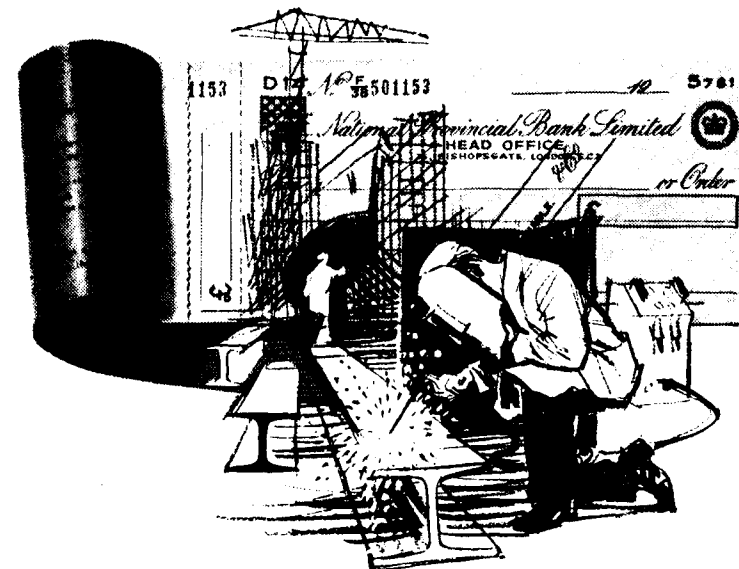
No Black Reds

WESTERNERS who anxiously count the pro-communist and the anti-communist heads in African cabinets should be rejoicing this week. After all, on August 29th Dr Nkrumah of Ghana fired two left-wingers and put them, together with a moderate, in prison. The *Ghanaian Times*, a party paper, promptly vilified all three men (Messrs Adjei, Adamafio, and Coffie-Crabbe) and demanded their heads. On September 3rd Mr John K. Tettegah, former secretary of the Ghana Trades Union Congress and now general secretary of the (Nkrumahist) Federation of African Trade Unions, was detained. If ever Ghana had a left-winger in a position of power, Mr Tettegah was he: he was released on Wednesday. Mr Krobo Edusei, once minister of industries (dismissed in April) has been reinstated, this time as Minister of Agriculture. Mr Edusei is a consumer of luxury goods in the best western tradition, and his wife's purchase of a golden bed is still gratefully remembered by the London press.

Yet there might be another explanation for all these Ghanaian comings and goings than a swing away from the Left. The dismissed men have been linked in the Ghana press with last month's attempt on Dr Nkrumah's life; worse, they may have been linked in the Osagyefo's mind with attempts upon his authority. The lesson is that the Ghanaian government means what it says when it proclaims non-alignment: it wants to be run by itself, not by Russians or Americans. And who is "itself" but Dr Nkrumah?

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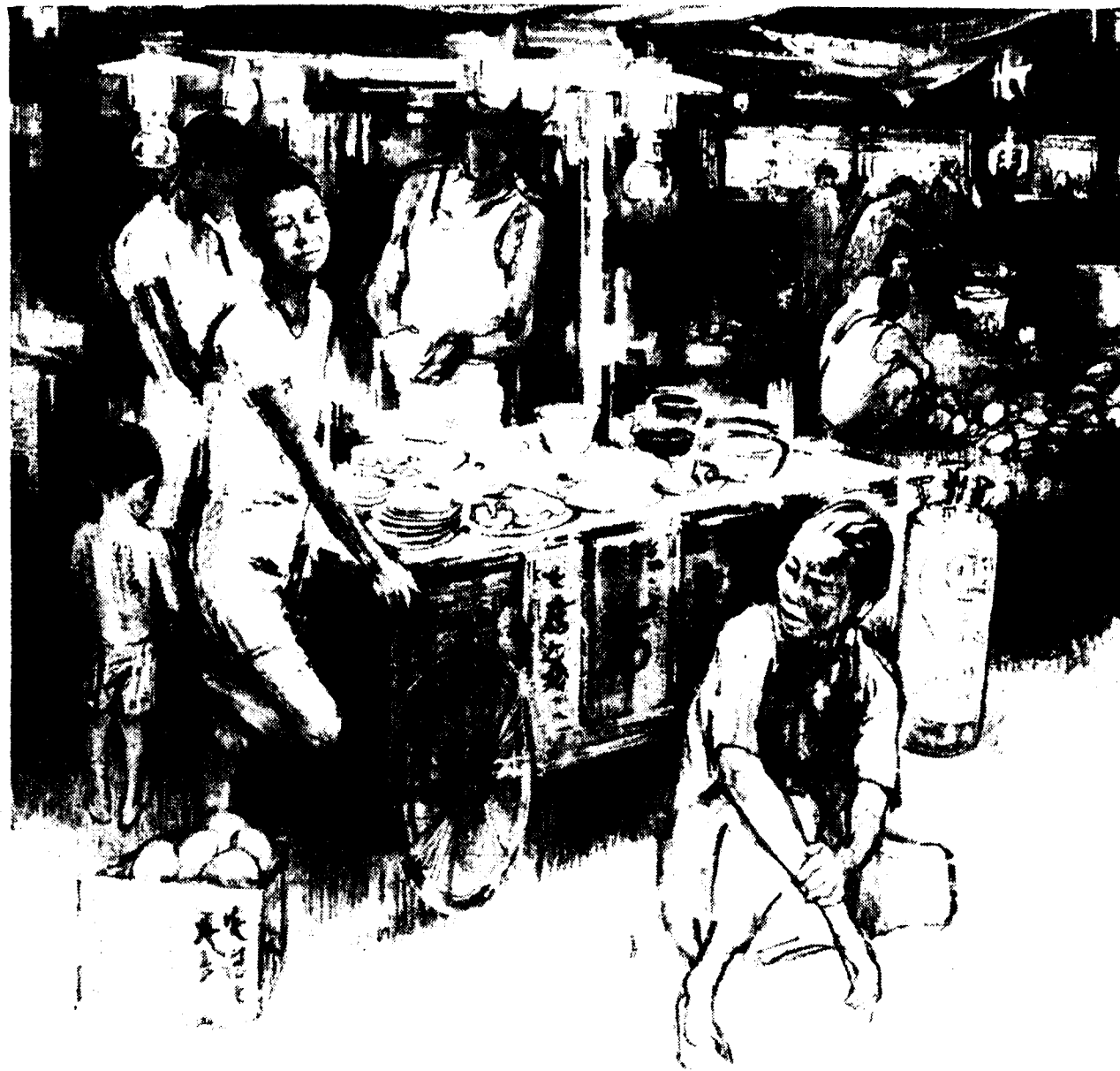
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Saturday night in Singapore

People are much the same wherever you go. In foggy London, noisy New York or sweltering Singapore, the Saturday crowds still look for late-night snacks on the way home from theatres, cinemas or bars. Still stand around stalls to eat pies or hamburgers, whelks or fishballs.

And the stalls themselves are the same triumph of personal ingenuity. Often highly decorated, they must still be functional and mobile; and the power they use for lighting and cooking must be as mobile as the stall itself. Almost invariably the answer to this is kerosine—the oldest of the petroleum fuels. Shell sends kerosine all over the

world—and not just to homely 'hokkien mee' stalls. For Shell kerosine powers the jets that fly over Singapore, as well as providing fuel for dozens of domestic jobs such as heating and refrigeration. Fortunately, most places are within reach of one of the 500 Shell companies. Shell, in fact, is as world-wide as people.

YOU CAN BE SURE OF



Mr Chisiza

AN African nationalist leader who argues that pan-Africanism does not make sense while the African people (as opposed to their leaders) are hardly conscious of loyalties beyond the tribe and the new nation is a rarity. He is a greater rarity when he points out, before his own party chief, that "strong-man" government lapses easily into dictatorship, for which the only remedy is assassination; and that "assassination is . . . dangerous . . . because it has a built-in tendency to become habitual." Such a rarity was Mr Dunduzu Chisiza, prospective minister of finance in Nyasaland, who was killed in a car accident on September 3rd. Mr Chisiza is the third central African political leader to have been killed in this way within the past year. (The other two were Dr T. S. Parirenyatwa of Southern Rhodesia and Mr Lawrence Katilungu of Northern Rhodesia.)

Nyasaland has produced several extremely bright African politicians; Mr Chisiza outshone most of them. He was detained for 19 months until September, 1960; he spent the time studying—to good effect—the economics of underdeveloped countries. The ten-day Nyasaland economic symposium held in July was his idea: at little cost it brought 24 economists of world reputation to the country to discuss its problems—and it attracted the attention of possible future sources of aid and investment to Nyasaland. The country's new and realistic three-year economic plan is Mr Chisiza's—"the most exciting thing I have ever done"—he told friends. His death, at 32, is a great loss to his country, and to Africa.

THE DAILY PRESS

Advertising League

THERE are three divisions in the newspaper league, according to the paper read to the British Association by Mr Laurence Scott of the *Guardian*. The division a paper belongs to depends on the kind of advertising it attracts, which in turn depends on the kind, as well as the number, of its readers. Advertisers of general consumer goods go for "the newspapers with the biggest circulation and the lowest cost per inch per thousand sales": this is the first division, the popular national morning papers with sales up to over 4½ million a day. Other advertisers, with producer goods or services to sell and the prestige or reputation of big companies to build up, want "to reach people in a position of authority and influence, particularly those who influence the spending of corporate money": these go to morning papers like *The Times* with little more than a quarter of a million readers, but many of them the sort of

customers that the advertiser is after. The third division is local, supported by the advertisers who want to catch the custom of people living in a particular place or area: the provincial evenings (thinned down mostly to one in each locality) and local weeklies live by this backing, and some can survive with not much more than 20,000 readers, though others go much higher.

The "sandwich" paper in this classification that manages to belong to both the first and second divisions is the *Daily Telegraph*, which "contrives to carry both a large amount of advertising in the consumer goods class and also a fair slice in the prestige and producer goods class," and so is able with a sale much the same, at a million and a quarter, as the circulation that meant death to the *News Chronicle* to be highly successful. It was promotion in this (advertising) league that the *Guardian* sought when it started a year ago to print in London as well as in Manchester: as a provincial morning paper, even with its international reputation editorially, it had no business future; so, as Mr Scott put it, "our best hope of continued existence, with the financial ability to maintain our standards, lay in becoming a national newspaper." The objective was to get the second-division (or "quality") ranking of *The Times* with the advertisers; success depends not just on getting more readers but on getting more readers of the right kind, with "influence and authority."

Who Goes Down?

"CONTINUED existence" is indeed every newspaper's problem, in a high-cost (and cut-price) industry where "the pattern of costs and revenue, and of editorial standards" is set by the front-runners in each division of Mr Scott's league. It has still to be seen whether the *Guardian* will get the 300,000 or more readers of the right sort, and the advertising income, that it needs both to foot its London bill and to meet its Manchester outlays, complicated as they are by the joint running of two evening papers, one successful and the other not. It has still to be seen whether the 260-odd thousand circulation of *The Times*, which the *Guardian* now just matches, will be enough, with the advertising it can attract, to keep even that great paper safely viable in the longer future. It has still to be seen whether even the *Daily Mail*, which is well over the first division's supposed breakeven sale of two million (though it may be drifting downwards), is going to be safe with what Mr Scott reckons to be "the minimum viable circulation of any newspaper," which he says is "at least half the sale of its most successful direct competitor." And, on any count, the *Herald* and the *Sketch* have little to look forward to.

Mr Scott does not believe that advertising revenue is all, though it is crucial. Good editing and good management, with good editing first, are still the fundamentals of success, even financially. At the *Guardian*,

which has given British journalism at least two great editors, this is ABC, and should be the star now to which, in its biggest test, its waggon ought to be hitched. For the British press at large, looking at these life-and-death problems of promotion and, still more, relegation, the Shawcross report will give its doctor's report in only a few days from now. About the impolicy of both newspaper proprietors and trade unions, as well as the inadequacy of the present watching brief of the industry's own press council, the report is likely to be clinically scathing. On the question with which Mr Scott started his paper—"Can competition survive?"—it is likely to be less helpful: it may not be able to go much beyond Mr Scott's own conclusion. This is that

The newspaper industry is a high-cost industry, and perhaps not very efficiently run, but this is not the main reason why newspapers get into financial difficulties and have to be merged or closed down. The main reason is competition from other newspapers.

JOBS FOR GRADUATES

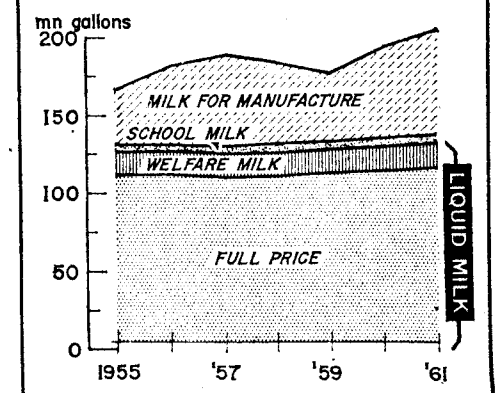
A Clearing House?

THE inquiry into the work of university appointments boards, which Nuffield College, Oxford, has just begun, should prompt some serious thinking inside more universities about the eventual destination of their end-products. Appointments boards can sometimes be simply straightforward job agencies, a more or less genteel introduction to industry for arts graduates and an easy source for knowledgeable firms

HA'PENNY ON THE PINTA

British households take, on average, nearly 5 pints of milk a head each week. The extra ½d. a pint from last Monday will mean, therefore, an extra 2½d. a week on average for most adults and older children: welfare milk is not affected.

Including liquid milk consumed outside the home, consumption has risen 4 per cent over the last six years—about in line with the increase in population. Milk manufacture has gone up much more.



to raid for scarce skills. But the better kind at least also set out to advise the individual (the advice may be, initially, to get more training; e.g. for women entering industry or commerce to acquire secretarial skills); and they pay due attention to variations in personality. Probably three-quarters of the student population could benefit greatly from this kind of advice.

The best boards, and they are still too few, also try to exert a positive influence in guiding firms on how to make the best use of graduates; and they are playing an important part in the internal university debate about the right kind of education to provide, particularly for the new type of student. As the (too slow) expansion of university places proceeds there will be an increasing need to think out what form of general education provides the most effective intellectual, as well as pre-vocational, training for bright young people who are not going in for research or an academic life. There is a lot that needs looking into. Can, for example, any appointments officer truthfully say that this country is really making the best use of its women graduates? Is it actively helping them to continue their careers after early marriage, let alone helping them to come back into an appropriate job after their children have grown up? Again, appointments boards will soon have to tackle on a broad basis such new problems as fitting in the increasing number of graduates who have read science by choice but who also want administrative careers.

The demands for a central professional agency have understandably grown as a result of the cheese-paring cuts in the services (particularly the technical and scientific register) hitherto provided by the Ministry of Labour. There is a great deal to be said for a central clearing house, which would be a natural resort for graduates who want to change course into a new job or career. Mobility of this kind should often be encouraged.

The most competitive firms may already know well enough how to get the initial entrants they want under the present system. It is in backward industrial areas that energetic university appointments boards most need to spread the gospel and provide potential executives from graduates already living in the region. And it should be through the appointments boards that backward dons are made aware of what the community requires from its educational investment.

MALAYSIA

The Blanks Lose

ALTHOUGH Singapore's referendum of September 1st, on joining the proposed Federation of Malaysia (Singapore, Malaya and the Borneo territories), did not give the voters a real choice, it did show that most of them do want to join. It is a pity,

in retrospect, that Mr Lee Kuan-yew, the prime minister, found it necessary not only to exclude the option of not joining, but to announce that blank ballot papers would be counted as part of the majority answer.

The voters were in fact asked to choose between joining on the terms Mr Lee had decided with Tunku Abdul Rahman, the Malayan prime minister, last November, and two other variations which are now of no interest since nearly 400,000 votes—more than 70 per cent of the total—were cast in favour of the agreed terms. There were about 144,000 blank papers—a high figure, but not as high as the communist-led Barisan Socialist opposition had evidently hoped for. Whether it was high enough to justify Mr Lee's choice of procedure is another matter. Having seen his parliamentary majority whittled down to a minority during the past eighteen months, he must have felt he could not leave a question of such importance to chance.

Now the way looks clear for the creation of "greater Malaysia" by the agreed deadline of August 31st next year. Under the terms the voters approved last Saturday, the citizens of Singapore will become citizens of the new federation while retaining their present citizenship. Defence, foreign affairs and—most of all, in view of communist strength in Singapore—internal security will be in the hands of the federal government, leaving education and labour under Singapore's direct control. This is not the end of Mr Lee's domestic political troubles; but it is a weight off his mind and justifies a sigh of relief in London as well.

CAMBODIA

Uneasy Neighbours

RECENT events have revived Cambodia's ancestral fears of the Siamese and Vietnamese. The civil war in South Vietnam has more than once spilled over into Cambodia, and Cambodian lives have been lost. A frontier dispute with Siam (which seized two Cambodian provinces during the second world war and handed them back only after Japan's defeat) has contributed to Cambodia's feeling of insecurity. This background helps to explain Prince Sihanouk's proposal of August 21st that the fourteen nations which lately met at Geneva to define and guarantee the neutrality of Laos should now meet again and do the same for Cambodia. Mr Macmillan politely turned down the idea on August 31st; General de Gaulle said France would take part in a conference if there was one; President Kennedy is thinking it over; and only the communist powers—Russia, China and North Vietnam—have accepted with any marked enthusiasm.

It is possible to sympathise with the prince's feelings while doubting whether a fourteen-nation conference would be the best way of solving his problems. The

Laotian settlement, for what it is worth, was made possible because the two great power blocks were getting involved in the Laotian conflict and wanted to avoid a head-on clash. Cambodia's case is different. There is no civil conflict in Cambodia, and none of the great powers threatens its integrity. The burden of Prince Sihanouk's case is that Siam and South Vietnam, which are allies of the United States, do threaten it, and that the great powers, including the United States, should undertake to protect Cambodia against invasion by either of its neighbours. He has also asked the Americans for arms and threatened to get them from China if they are not forthcoming.

At one stage the prince proposed joint border patrols by Cambodian and South Vietnamese troops, but when President Diem agreed, perhaps unexpectedly, the Cambodian leader seems to have had second thoughts. Mr Macmillan is right to suggest that the Cambodians should try to reach an understanding with their neighbours by diplomatic channels before the great powers are called in.

SOVIET BLOCK

Second Thoughts?

IN the communist world the common market is now being paid the compliment of close attention. The communists seem to be adjusting themselves to the probability that the European Economic Community will expand and flourish; the process of adjustment may be protracted and difficult. At a conference of Marxist economists from more than twenty different countries on "the problems of modern capitalism" which ended in Moscow on Monday, the common market was one of the chief topics discussed. The published "theses" put forward for discussion at the conference say everything that is bad about the common market; it is a new form of colonial exploitation and an instrument of the monopolists, it is incapable of ensuring harmonious economic development, and so on. But it is reported from Moscow that in private many of the economists argued that the common market was a vigorous and going concern, which the communist world must face the necessity of coming to terms with.

Similar divided feelings are reflected in an article by Mr Khrushchev himself, summarised in the latest issue of the *World Marxist Review*, and published in full in the Russian party journal, *Kommunist*. But the summary of the article gives the impression that Mr Khrushchev is primarily concerned, not with running down the common market, but with building up its communist counterpart, the Council for Mutual Economic Aid. Various organisational measures have in fact been taken since last June when this body (Comecon) met in Moscow and decided on steps to



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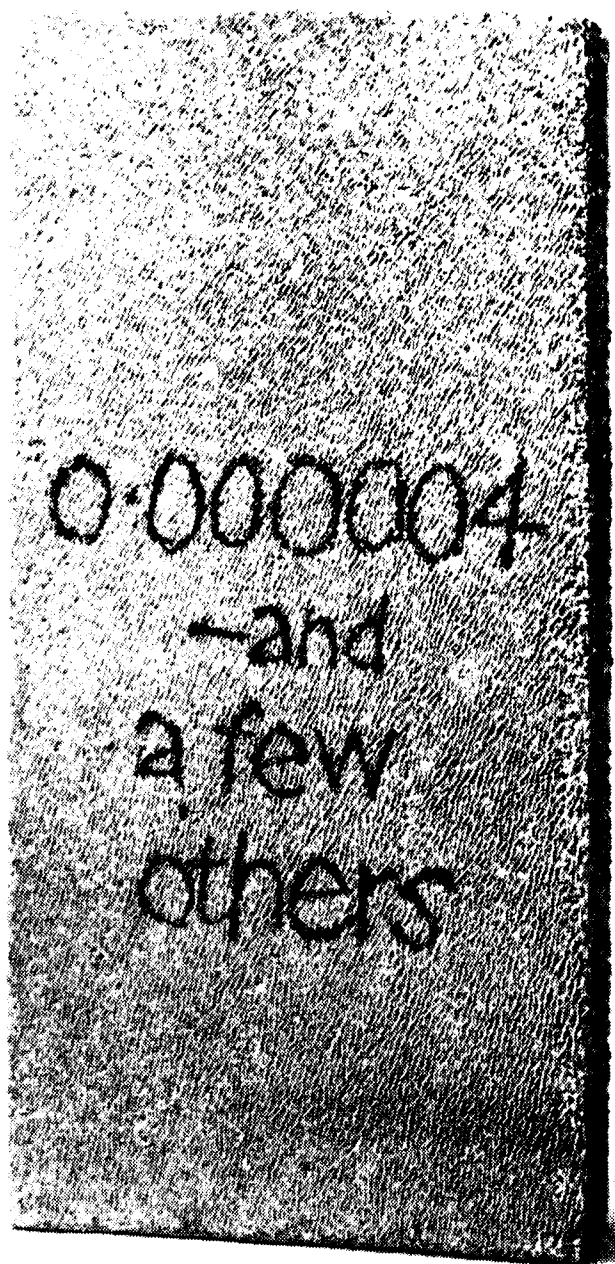
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give itself a new look. But that these steps have not yet got very far, at any rate in the public view, was demonstrated by a recent Budapest broadcast, which, declaring that "it has become fashionable to . . . overestimate the undeniable results of the common market and to underrate, perhaps out of ignorance, our own work," went on to argue at length how wrong such an attitude was. If this attitude is at all general among the general public in eastern Europe, it is hardly surprising that the Communists are greatly exercised about their official attitude towards the common market. In his article Mr Khrushchev refers guardedly to the possibility of economic co-operation and peaceful competition not only between individual states with different social systems, but also between their economic associations. Here is a thought indeed.

GRAMMAR SCHOOLS

New Breeze?

ONE of the most hopeful pronouncements to come from the schools inspectorate was delivered to the British Association last week by Mr Percy Wilson, senior chief inspector at the Ministry of Education. Mr Wilson hit out at sixth form over-specialisation, at the growing hurry and congestion of work in the fourth and fifth forms, and at the antiquated and anti-cultural syllabuses that most pupils have inflicted on them in the name of academic attainment. None of these criticisms is in fact at all radical by now: the capital fact is the demonstration that the much-maligned Lord Eccles succeeded in giving a hefty liberal push from the top in encouraging his inspectors to become much more purposeful engineers of change.

What is Sir Edward Boyle's ministry going to do about it? The curriculum study group which has been at work for the past six months is likely to recommend some drastic reforms. These will not necessarily mean more scope for taking up new "minority time" subjects, but they should certainly mean a broader-based and up-to-date approach to all GCE "A" level subjects: it is really high time, too, that English education as a whole ceases to be weighed down with Euclid, the Anglo-Saxons and Dickens. But over-specialisation and over-cramming are not going to end by fiat in the schools alone; neither are the modest reforms that most university vice-chancellors have accepted for their entrance qualifications going to work out in practice (particularly among the good, honest triers who know they have to fight for their place) unless the physical bottlenecks to higher education are first removed.

To insist on reforms of this order will certainly not deprive British education of those merits which seem to have been deliberately over-stated this week by the American Admiral Rickover in his castigation of his own country's educational stan-

dards. There is manifestly little danger that highly intelligent pupils are going to be held back by the changes that the present Ministry of Education is likely to advocate: the "streaming" of these children continues in grammar and comprehensive schools alike, and mere "minority time" would, in fact, add to their ability to profit from university life. Where the chief trouble still lies is (a) among the lower grammar school streams which are being pressed by competition into specialisation beyond their immediate intellectual comprehension; and (b) among the (relatively few) 11-plus "failures" who show ability and application but still do not get the chance to transfer later on or to make good at their secondary moderns. Worries over the second, and much-publicised, problem are now far less justified than over the first.

SHAKESPEARE

Old Bones

IT is extremely unlikely that Mr Christmas Humphreys QC and others will succeed in their campaign to celebrate the 400th anniversary of Shakespeare's birth by getting somebody to take a peep inside his tomb at what they call the poet's "reputed birthplace" at Stratford-on-Avon. This is not because many people suppose that such "desecration" would really bring down the dire consequences threatened by the famous warning on the gravestone:

GOOD FREND FOR IESVS SAKE FORBEARE,
TO DICKE THE D'AT ENCLOSED LEARE.
BLESE BE Y MAN Y SPARES HES STONES
AND C'IRST BE HE Y MOVES MY BONES

It is because the ordinary Englishman still blithely assumes, like Shakespeare or who-

ever wrote his tomb's inscription, that after death his own body will be allowed to lie on undisturbed for aeons to come. With over 30,000 Britons dying in this crowded island each year, this assumption that each can expect to fill 30 or so square feet of urban land in perpetuity is—be it softly whispered—as absurd as dread of the curse.

Most of us who choose to be buried will be turned over in our graves many times before 350 years are up, as indeed has already happened to the majority of Shakespeare's contemporaries. And among the tombs which have remained intact, virtually all—including Shakespeare's—will certainly have been peeped into at some time or other when adjoining vaults were dug. On religious grounds it has always seemed curious that Christian men have taken over from pagans a tradition of awesome respect for the so-called "resting place" of a dead, entirely spiritless body; one cannot really see why one's crumbled remains some years after interment should be regarded as "oneself" any more than are individual components of one's living body—say an extracted appendix—which most of us are only too glad to know has been deposited in a hospital dustbin.

Nevertheless, the traditional respect for dead bodies goes deep. Most people who might otherwise support Mr Humphreys in braving it will be deterred by the strong probability that, even if any written tributes or other historical evidence were left intact with Shakespeare, they will long since have melted into dust together with his remains. And while they will be afraid of looking foolish if, after all the fuss attendant upon opening it, the cupboard proved bare, there will be an even stronger alliance of scholars who must be secretly afraid of looking even more foolish if, unexpectedly, something rather startling about Shakespeare (or, heavens forbid, Bacon) were to be found.

LETTERS

Kenya

SIR—"Descending Mount Kenya" (your issue of August 25th) requires comment. In the process of disengagement from African dependencies, Britain has been successful only insofar as immediate chaos, such as the Congo suffered, has been averted. With the notable exception of Nigeria, however, democracy has soon vanished and dictatorships have taken, or are taking, its place.

It is all the more paradoxical and tragic, therefore, that when a truly democratic force emerges in an African country and it puts forward a constructive plan designed to avoid the unfortunate things that have happened elsewhere, there is a tendency to

dismiss it as a luxury which a young emerging country cannot afford, or references are made to "orthodox patterns" which, though they have resulted in dictatorship, for some obscure reason should nevertheless be adhered to.

How is it—and indeed your article implies this—that unity and one-party systems have an attraction for Britain when dealing with others, while she herself enjoys a two-party system and fundamental differences exist between those parties? I strongly believe that the existence of two or more parties is a major factor in the upholding of individual rights. It automatically means that one or other party will come to the rescue of those who have been wronged.

You say that Kanu policy is to have a

unitary state designed to crusade against tribalism. Superficially, and conveniently for the Kikuyu, this may appear so, but the end result of a "non-tribal and unitary system" would be to place the Kikuyu in complete power, thus giving Kenya almost undiluted tribal domination.

Your article states also that "about 60,000 white people . . . may need to be rescued." If this is the case, what about other Commonwealth citizens, Indians, Pakistanis: what about Goans and Arabs? No, the answer does not lie in "rescue operations" for selected minorities, but in creating the right conditions now, constitutionally and economically, to ensure that disaster does not follow independence, that all Kenya's people, including Europeans, may live in peace. The truth is that race relations are good here, that the divisions are political rather than racial, that far from Europeans or British administrators trying to divide Africans, they are divided in any case, and that luckily we have the basis of a sound constitution, which takes all this into account.

Finally, I would like to say that Kadu does not represent "a gathering of the weaker more backward clans." The Abaluya and Kalenjin are both major tribes; the geographical advantages all lie with Kadu and the country could not possibly run without their concurrence.—Yours faithfully,

R. G. NGALA
President, Kenya African Democratic Union
Nairobi

★

SIR—Your leader of last week was timely and realistic. While contesting, as I must, your view that the policy which has led to the present crisis was right, I hope that the

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LETTERS

widest publicity can be given to your statement that some 60,000 white people from Britain are likely to be caught in a trap (not, I would add, in any way of their making) and may need to be rescued. Its grave, perhaps tragic, implications deserve urgent and careful study.

Some sixty per cent of the existing British minority in Kenya will in any event leave the country, either before or directly after independence. Of the remaining forty per cent, twenty will stay and try, as best they can, with all the fortitude and skill they possess, to live and work under the new conditions. The other twenty per cent will only stay because they are helpless and penniless, lacking the means to pay their passage. To abandon them would be as dishonourable as callous. Since rescue is now admitted to be necessary, let us openly begin to plan for it.

There are certain steps which must be taken to make it a practical—even if unseemly and saddening—operation. Of first priority is the need for an impartial and efficient land settlement board, to supervise the £15 million purchase of land already proposed by the Kenya government; its chairman, I suggest, should be at least of the status and experience of an English High Court judge, and he ought to be supported by a deputy with a real, expert knowledge of farming, and of agricultural techniques and values. The board, and not the Kenya government, should control the purchase funds; and payments should be prompt and, if vendors so desire, to banks outside Kenya; there must be no opportunity for post-uhuru sequestration.

Second comes the question of resettlement and employment in the United Kingdom or elsewhere. This must be accepted unequivocally as the responsibility of the British Government; and it is surely bare justice that those who return here should be entitled without any niggling to all national insurance benefits, as though they had lived in this country since 1947.

Third is the problem of what are known in Kenya as the compassionate and the security categories. There is a number of elderly people living in isolated farmsteads, who are even now extremely vulnerable to gangster and Youth Army attacks. And there are others, in the countryside and in the towns, whose names, because they took an active part in the defeat of Mau Mau, are on a murder list, the existence of which is perfectly well known to the Governor and the Minister of Defence. The sooner all these are brought out the better.

Your candour is refreshing, and calls for an equal candour in response. The unpleasant job of "dishing the whites," first undertaken by Mr Macleod, is now almost fulfilled. I disagree with your assertion that the casualties could not have been foreseen; I, for one, foresaw them two years ago. Let us, however, leave recrimination, try to put aside bitterness, and get on with the task of rescue and a measure of reparation for this most ill-used of British minorities. If we do not, if in apathy, stinginess

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and ignorant prejudice we finally betray our brothers in Kenya, there will be no words with which to describe our disgrace and our shame.—Yours faithfully,
JOHN CONNELL
London, S.W.1

Parallels

SIR—The parallel behaviour of Sir Alexander Bustamante and Mr Tshombe has, so far as I have noticed, gone unremarked. Both head the economically viable (if Jamaica is viable) parts of their area and both have resisted carrying along the less viable parts. Busta has got away with it, even receiving the personal blessing of (*vide* your issue of August 18th) "Sir" Lyndon Johnson. Much of the world is ganging up on Mr Tshombe to force him to drag along the savage tribes that inhabit what was, by happenstance, the Belgian Congo. Busta is permitted to cast off a politically civilised, highly responsible group of people who have profited by years of exposure to British tradition. They are, for the most part, the kind of individuals who make good neighbours.

Katanga has the possibility of becoming a leader in Africa. It is hard to see how Jamaica can get by, except with permanent outside support, especially in view of its population growth. The remainder of the West Indian Federation will almost certainly become a public charge, again in large part because of its birth-rate.

Aid and accolades for Busta; berating and boycott for Tshombe. The behaviour of our government is at least as puzzling to many Americans as it must be to citizens of the UK.—Yours faithfully,
Palenville, NY
WILLIAM VOGT

Counterdrift

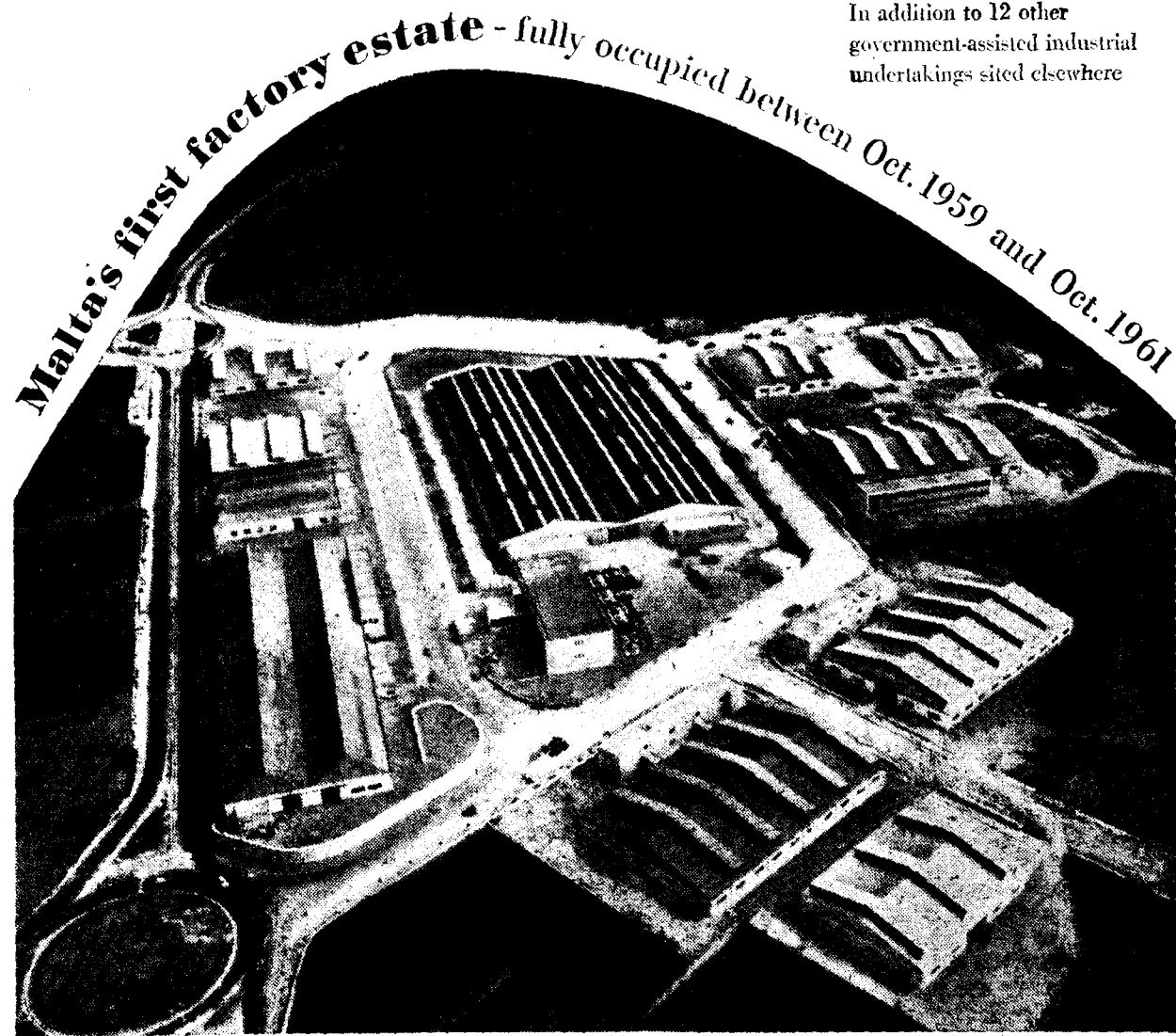
SIR—Your article on Counterdrift (September 1st) was most interesting but it did not pay enough attention to the architectural problems involved. In any scheme of the kind suggested the planners should pay more heed to the *Unité* principles of Le Corbusier. Thus the new urban areas could contain their populations within a small area of built-up land and the vast areas of subtopian development could be eliminated.—Yours faithfully,
Sevenoaks, Kent
W. N. WATFORD

"Dutch Courage"

SIR—I read with interest the August 11th edition of *The Economist*, in which under the heading "Ah, Youth!" you started a Note of the Week on Finland with the following quotation [from *Komsomolskaya Pravda*]: "With the Dutch courage of drunks, the hired riff-raff, bought with dollars and western marks. . ."

Being a Dutchman myself, I am very interested to know where the above expression comes from. If you can enlighten me, I should appreciate it very much.—Yours faithfully,
J. L. CORRA
Geneva

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BOOKS

Crisis of Irresponsibility

Germany and the Diplomacy of the Financial Crisis, 1931

By Edward W. Bennett.
Harvard University Press. London: Oxford University Press. 350 pages. 60s.

THE world financial crisis of 1931 was not only a cataclysm in the economic and political affairs of the modern world; it was a microcosm of the whole interwar tragedy. The economics of depression and the politics of Versailles, each as sterile as the other, now interacted with devastating effect. As Mr Bennett notes: "A thin plaster of international finance and Locarno ambiguities had covered the cracks left by the Great War, but now the plaster flaked off." The world financial system blew up, the slump in the trade cycle was carried to unprecedented depths, and presidential dictatorship was firmly established in Germany.

How did it happen? Mr Bennett is a student of diplomacy, not of economics; and he has a healthy distaste for armchair theorising. His book, as the title indicates, is concerned with the diplomacy of the crisis, with its unfolding over these critical weeks and days, as it can now be reconstructed from the German and American archives and from the much less complete British papers. Mr Bennett's use of this mass of material is masterly: he sets one document against the other to correct not only the usual inaccuracies in statesmen's memoirs but also some significant inadequacies in the contemporary record—this ambassador was evidently playing to his master's ear, that foreign secretary was leaving his officials in the dark. All this is fascinating to anyone who is interested in the process of decision making on the diplomatic level. But Mr Bennett's narrative goes deeper. At just the right intervals the threads are drawn together, a general conclusion is drawn. And besides being a first rate researcher, Mr Bennett is not short on wisdom; he is also an elegant writer. So while he does not throw himself up against the cosmic question of whether 1931 was avoidable, he does show how the collapse was rooted in the political failings of the previous decade.

The theme of the story is irresponsibility. Most obviously irresponsible was Germany, which found that the weaker its finances were seen to become, the better were the prospects for its overriding political aim of "revision"—revision of the regime of Versailles and not least of reparations. Only at the last moment did Brüning and his colleagues see the financial crisis as a threat to themselves, and by then it was too late. (Mr Bennett is not hard on Brüning: he "exemplified the same conscientious con-

servationism and selfless courage—if also the same reliance on intrigue and manipulation at the top—that characterised the best of the July 1944 conspirators.")

Irresponsibility of a different kind was displayed by President Hoover, with his basically sensible but untactfully presented plan for a moratorium on inter-government payments. As Mr Bennett observes:

Unilateral bombshell proposals like Hoover's have perhaps about the same relation to international politics as a new insecticide or epizootic disease has to the balance of natural life.

Above all, Hoover's sudden initiative ignored the realities, sordid as they may have been, of the Franco-German power struggle that lay behind the reparations argument:

While the manipulation of American interest in German finance had, as hoped, brought Hoover on to the scene, his arrival as *deus ex machina* was not appropriate to Teutonic drama, and it did not leave much of a role for the German heroes in their struggle with the dragon, Tribute.

But not the least irresponsibility was that of Britain itself. Mr Bennett points to the basic and continuing inconsistency of accepting the provisions of Versailles, the imposed peace, and then shrinking from the entanglements, and the costs, of imposing it. So France felt isolated, and let down; and after the stabilisation of the franc in 1926 made it the strongest financial power in Europe, it not unnaturally saw this financial strength as a weapon of policy.

France was petulant, France was irritating; but, in Mr Bennett's view, it was France, in its basic insecurity, that needed help and understanding more than Germany, poverty stricken but also actively revisionist. Henderson, foreign secretary in the second Labour Government, saw the need for a rapprochement with France. But Britain's foreign policy at this time was conducted by others too—by Ramsay MacDonald on the one side and, on the other, by Montagu Norman. Real information on this key figure of the interwar years is still kept largely under the wraps. Mr Bennett's researches produce a few fascinating insights; and they are not likely to add to the great governor's reputation for foresight, wisdom, or even for the coveted bankers' nous.

Norman, like the Germans, but for essentially different and more respectable reasons, was convinced of the need for "revision," for removal of the drag of reparations and war debts from the financial system. This was sensible enough; but how could Norman suppose that, in the summer of 1931, revision could be forced on the unwilling French—whose huge balances in London held the key to sterling's own fate?

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In these circumstances it is quite astonishing to find Norman, of all people, arguing at the height of the German crisis in mid-July that for the French to be brought round the crisis would have to deepen: within ten weeks the crisis had deepened sufficiently to sweep away one British government and one gold standard.

Norman had added to confusion by suggesting cavalierly that the British government should be approached for the loan to Germany that the Bank of England could no longer afford to extend. In Mr Bennett's biting words:

Irresponsible and inexperienced in diplomacy, Norman promised everything and nothing. It was a basic postulate in this period, especially in London and Washington, that central banks must be independent of government control; perhaps some thought might have been given to defending the governments against the central banks.

In his conclusion Mr Bennett links the general "lack of perception" to a widespread distrust of politics, of which Norman above all was the apostle—having a deep and unfortunate influence on future central banking disciples. To get reparations out of politics and into the normal stream of commercial life where they would somehow cause no trouble had been the panacea of the twenties; in 1931 the central bankers found that governments, and politicians, had to bail them out after all. This political distrust, matched by a defeatist negativism in economic policy, was perhaps the ultimate irresponsibility of 1931. The crowning irony of these tragic months is that many men realised what was at stake. When the Hoover agreement was reached in Washington in early July the French ambassador ordered, on his extra-territorial precincts, a bottle of champagne. He proposed a prophetic toast: "To the crisis which we have just avoided and to the catastrophe which will follow."

Far Eastern Common Market?

Australian Diplomacy and Japan 1945-1951

By R. N. Rosecrance.
Melbourne University Press. London: Cambridge University Press. 300 pages. 45s.

THE increasingly close relations between Japan and Australia have gone largely unremarked in Britain, but they are bound to become more noticeable if Britain joins the common market. The loss of Australian preferences in Britain will set the Australians free to cancel British preferences in Australia, and replace them, as seems highly probable, with preferences to Japan, who has become too good a customer to disappoint. Although British entry into the common market will certainly stimulate Australian efforts to trade with Europe as a whole, it will also strengthen the existing Australian determination to find better markets in Asia; Japan, with the most

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westernised needs of all, will be the Asian country in which Australia tries hardest to sell the goods which it has developed to suit western tastes in Europe. On Japan's side, there are attractions in Australian wool, iron ore and other goods that justify suggestions for a common market between the two countries and others which might be attracted.

Economically, then, Japan is a good neighbour; politically, it has become one too. Professor Rosecrance's able study, done in the department of International Relations at the Australian National University, traces the beginnings of Australia's swing towards friendship with Japan. Even in considering the days of Australia's stern policy towards occupied Japan, he found an ambivalence about the Australian attitude; pressure from the United States, China, Russia and elsewhere would not allow Australia to pursue the course of vengeance that seemed desirable to so many vocal groups. Before very long, it became clear that Japan must play a part in the line-up of world forces, and that Australian security demanded that it be on the American side. Even so, the bitterness of war-time experience was such that Professor Rosecrance felt constrained to write in his introduction, when looking ahead, that "the breach between Australia and Japan would seem to rule out joint defence arrangements for the foreseeable future." He might not say the same now.

The case for some sort of alliance between Japan and Australia, linked with the United States in a vague something to be known as a "Pacific Community" (on the lines of the Kennedy administration's "Atlantic Community"), is a strong one from the Australian standpoint, provided both other partners can be trusted: the Japanese to remain faithful to their obligations; and the Americans not to prefer the interests of Japan above those of Australia. Whatever risks the idea might involve, it would probably provide a more formidable source of aid against communist China than Australia's present embarrassing involvement in Seato. The Australian difficulty is that its security does not matter very much to anyone else, except New Zealand; Australia is destined to be always a bridesmaid, never a bride, in the main marriages of international alliance. Yet the country is a useful supporter in such affairs, although liable to prove rather more literal and enthusiastic than the other participants find convenient—as happened in the early days of the occupation of Japan.

Speculation about the future ought not to be allowed to obscure the merits of Professor Rosecrance's well stated view of the past. Australian diplomatic history is still in its infancy; this book shows that one way in which it can grow is through careful studies of particular situations in which the country has been involved, and where it has discovered that the exigencies of international politics prevent it from having its own way.

BOOKS

History of a Mind

George Grote

By M. L. Clarke.

Athlone Press. 203 pages. 35s.

GEORGE GROTE, one of the most serious intellectual figures of the nineteenth century, is remembered chiefly in the epigrams of Sydney Smith. If only for this reason, his wife's reputation has outlived that of his "History of Greece". "Now I know the meaning of the word grotesque", said Sydney Smith when he met Mrs Grote wearing a rose-coloured turban on her head at a party. "I like them", he also said, "he is so ladylike and she's such a perfect gentleman." The remarks are so bright that they have eclipsed the facts. Not the least interesting fact about Grote is that he long outlived the age of Sydney Smith. With opinions that were formed in the 1820s, the most neglected decade of the nineteenth century, he confronted the problems of mid-Victorian England. He was offered a peerage by Mr Gladstone in 1869 two years before his death. For once he did not consult his wife before making up his mind what to do. His real reasons for refusing were conservative in the basic sense of the word. "My insuperable objection, really, is to altering my framework of existence in any way."

The seriousness of Grote is no more engaging a hundred years later than it was at the time. Mrs Grote was almost as extravagant in her praise of her scholar husband as John Stuart Mill, the occasional friend of the Grotes, was in his praise of Harriet Taylor: "He is a combination of intellectual elevation, of genius, and of lamb-like gentleness and simplicity, the like of which it surely must be rare to parallel." Mill saw far more clearly what Grote was really like. He observed the gentleness and the simplicity, but he also noted a lack of subtlety and a narrowness of perception. Grote was the most faithful disciple of Mill's father, James, and he never reacted against the ideas which he had acquired from him. They became hard and mechanical, and, even worse, curiously out-of-date. It was almost inevitable that Grote should pass from politics to scholarship. He had no political contribution to make to the complex problems of the 1850s and 1860s. As Professor Clarke says in this useful biography, whereas John Stuart Mill's thought was constantly developing, Grote's remained where it was in the 1820s. Grote became very conservative about this too. "Those minds which were formed here in the struggle between 1820 and 1832 are decidedly more lofty, effective and strenuous than those which have been formed since." It was a sign of strength that he added the revealing, and for once engaging, qualification—"at least I think so."

Professor Clarke describes painstakingly all Grote's activities, political, intellectual and academic, without ever quite seeing them in full historical perspective. He has made good use of a considerable amount of

new material, much of it unpublished. Hitherto the life of Grote was entrusted to Mrs Grote, who published a memoir two years after his death. She called it "the history of a mind". That is what it remains—for all Grote's willingness to serve on committees.

Lone Star Giant

The Super-Americans

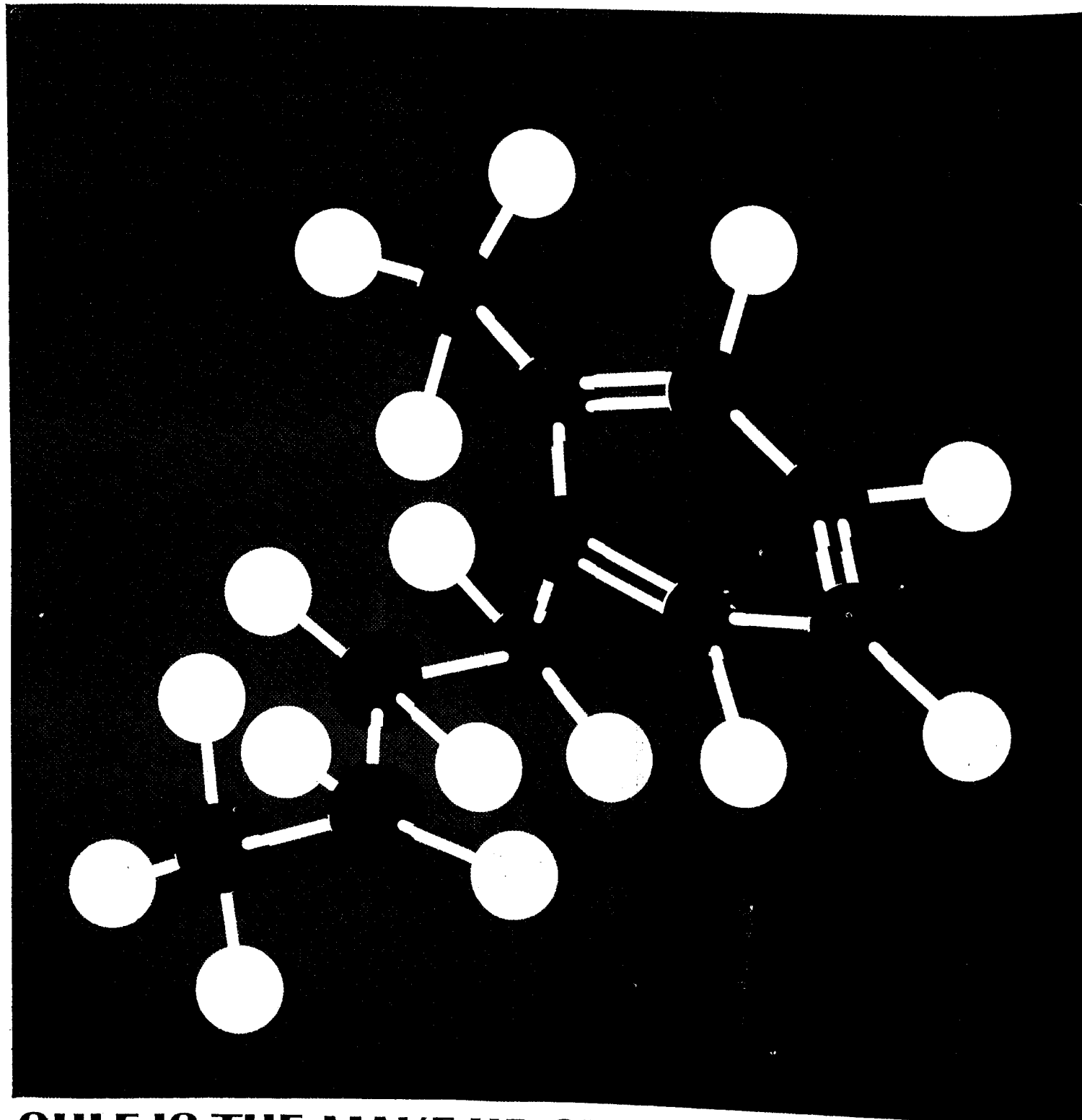
By J. Bainbridge.

Gollancz. 405 pages. 30s.

THE thesis of Mr John Bainbridge's book is that Texas is a magnifying glass (microcosm is hardly the appropriate word) for revealing America's national character traits, clear and jumbo-sized. In the Lone Star State flourish the national virtues: energy, optimism, genius for making money, hospitality, and daring; there also, larger than life, thrive the national shortcomings: worship of bigness, conformity, exaggerated patriotism, boastfulness, aggressive religiosity, and condescension toward the not-so-rich. Yet perhaps the author's eastern seaboard acerbity (this book is a revised and expanded form of articles written for *The New Yorker*) was blunted by his nine months of residence amid the bonhomie with which the natives traditionally gloss over the harsher realities of their super-American civilisation. If Mr Bainbridge's impressive accumulation of evidence is to be believed—the staunch resistance to sharing the wealth of Texas with either the federal or the state government, the isolationism and remnants of McCarthyism, the casual attitude toward murder, the indifference to social problems within Texas's borders, and a fanatic belief in the state's "sovereignty"—how could the author have concluded with the judgment that, whatever his faults, the Texan is "essentially a man with whom you are always wanting to shake hands"? It seems that one would prefer to cross the street, or better still, duck for cover.

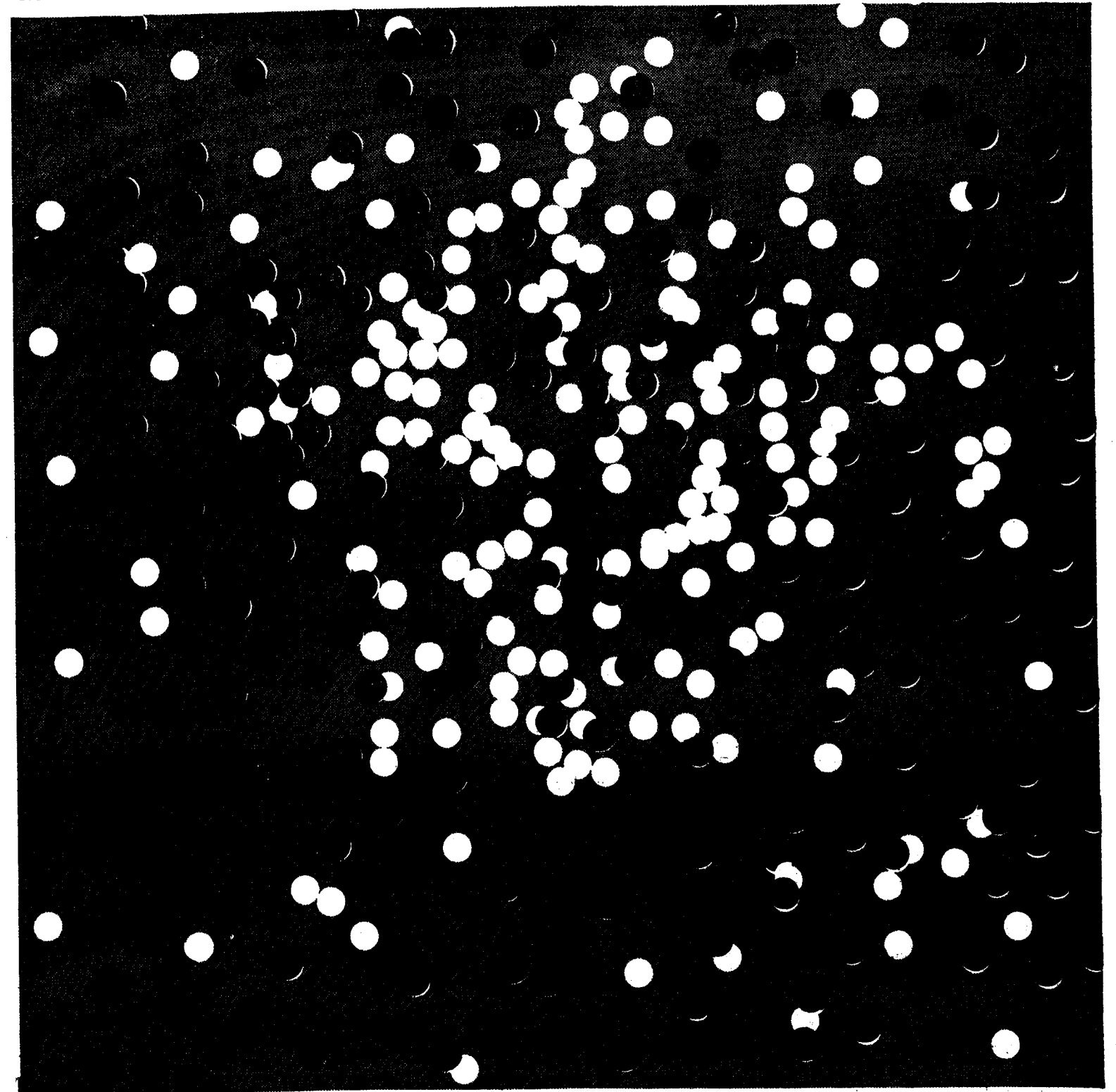
The brilliant chapters on "the oil game," as the United States's largest industry is known at its fount, are sure to draw Texas wrath. The emotion with which the self-made millionaires defend against congressional assaults the notorious "depletion allowance" which permits them to ignore 27½ per cent of their gross income when calculating federal taxes is wonderfully recorded. So is their zeal in persuading state legislators not to adopt a state income tax (even though the state, as a result, must rely on the hated federal government for one-fourth of its income). Some little-known Texas superlatives are presented; it is first in the nation for murders—more than 1,000 a year are recorded, although eight out of nine are estimated to escape official ken—and it is second in traffic deaths; these, the *Dallas News* consoled its readers, arose from the same qualities which made America great: "willingness to risk, driving energy, rugged individualism."

All Texas's plenty is here: "His" and



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"Hers" private planes, Nieman-Marcus, the Dallas-Fort Worth rivalry, bootleggers, voracious art collectors, "Wop Salad" (mixed green salad), \$50,000 poker games, and swimming pools where the water level drops six inches as one steps in, ensuring that there will be no splash. Yet as the book chronicles the Texan pursuit of bigness into every aspect of life, from the oversized souvenir teacup ("Texas Demitasse") to religion (75,000 children and adults go to Sunday School every Sunday in Dallas), it becomes monotonous; the subject was better suited to a series of articles. As it stands, to paraphrase James Thurber's favourite review, that of a nine-year-old girl after reading a thorough book on penguins, "This book told me more about Texas than I wanted to know."

As Economists See Us

Main Currents in Modern Economics

By Ben B. Seligman.
Free Press. (Macmillan: New York). 896 pages. \$11.75.

ANY historian of economic thought writing about a period too recent to possess the charm of antiquity suffers from the inherent disadvantage that his subject matter is to a considerable degree either banal or worthless. Ideas that have been incorporated into the fabric of the subject seem dull, just because we are used to them, while ideas that have been rejected have usually been rejected for very good reasons, so that their rehearsal is rather tedious.

Given this handicap, Mr Seligman, who starts his story in 1870 and carries it on to the present day, has succeeded in writing a surprisingly lively book. He has done this by expressing his personal opinions fairly freely. Brought up as an institutionalist, he regards economics as part of the general theory of social systems; he wants to know what is the "image of man" provided by an economic theory. This explains his readiness to take seriously what many people would regard as the maunderings of many neo-classical theorists, and it also explains his mistrust of pure model-making. Those who take a pragmatic and workmanlike approach to economics may share this mistrust for quite different reasons.

The most obviously striking feature of the book is its bulk. However, the economists whose work is discussed range from Max Weber to Milton Friedman and from Rosa Luxemburg to Arthur Lewis. Furthermore, the treatment is fairly detailed; as many as eighteen pages, for instance, are devoted to Professor Hicks, all of whose major works are discussed. This explains why there are eight hundred pages in the book, and may tempt the reader to wonder whether one man really was able to write them all. As with Homer, however, stylistic consistency argues against multiple authorship.

Any arrangement of the material in a

book of this sort is bound to be arbitrary to a certain extent. Mr Seligman's narrative runs smoothly, which is a tribute to his scheme of classification. The scheme is such that two of the nine chapters are almost wholly devoted to American writers; one on the institutionalists (Veblen to Galbraith) and one on the neo-classical economists (Ely, Taussig, Fisher, etc.). Since some of these writers are no longer well known in this country, these two chapters are probably the most interesting to an English reader.

The main drawback of the book is that many of the summaries of particular theoretical works are too long to interest the reader who knows them anyway, without being sufficiently full and rigorous to satisfy the reader who wants to learn economic theory. On the whole, therefore, this is a book for the more advanced student who is ready to skip here and there. With a book of this size, however, there is plenty of scope for skipping and no other book offers the same encyclopaedic coverage. Mr Seligman's survey is no substitute for a systematic training in modern economics, but it would be a stimulating supplement to such a training.

Exercising Patronage

Aucuparius: Recollections of a Recruiting Officer

By Ralph Furse.
Oxford University Press. 345 pages. 35s.

WHEN Harcourt took over the Colonial Office towards the end of 1910, Sir Ralph Furse became one of his private secretaries (at £150 a year unestablished). He owed the job to the recommendation of his predecessor, "an old Balliol friend." The occupant of this post was mainly concerned, not with the ordinary run of "private office" work, but with the exercise of the Colonial Secretary's Patronage—the recruitment of all junior officers in the higher grades of the colonial services (except administrative and police posts in Ceylon, Malaya and Hongkong, which were filled, like their Indian counterparts, by competitive examination). For all the casual way in which he was himself appointed, Furse could claim some qualifications for the job. At Eton, he had won an Empire League prize for an essay on "the ideas expressed in the word Empire." At Oxford, he had joined, with "a number of Rhodes scholars," a Yeomanry regiment, the "King's Colonials." And he had spent a fortnight in Ceylon and so claims that he found himself "one of the very few men" in the Colonial Office "who had ever seen a colony." (It is a recurrent complaint, but, in fact, of the twenty-two men who during his first year in the office held posts of what we should now call principal and above, ten had either served in, or paid official visits to, at least one of the territories for which he was responsible.)

This book, besides giving a delightful vignette of the prewar Colonial Office,

describes how the rather haphazard "patronage" of 1910 was transformed into a defensible system of selection (which in many respects foreshadowed the underlying ideas, though not the techniques, later developed for the Foreign and Home Services by the Civil Service Selection Board). In the process, recruitment was enormously improved by imaginative co-operation with the universities; scholarship schemes were evolved in many professional and technical fields, and the foundations laid for academic study of developing countries. Events no doubt overtook the "job analysis" on which Furse based his work: the transfer of power called for men with different qualities than those most needed in the often isolated district officers of Furse's first decade or so. But in the inertia of the inter-war years a radical would almost certainly have achieved much less than this dedicated member of the establishment.

Mancunian Scrap-book

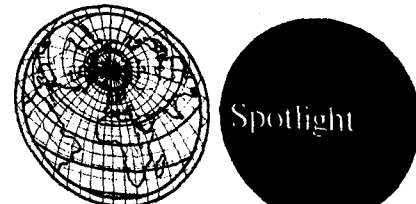
Manchester and its Region

Published for The British Association by the Manchester University Press. 283 pages. 30s.

THIS book both gains and suffers from its special purpose which is to commemorate this year's meeting of the British Association in Manchester. It gains from the breadth of the learned contributions which, following the varied instincts of association members, have been brought to bear upon the history and character of Manchester and its surroundings. It suffers from an inevitable eclecticism which turns the book into a scholarly scrap-book that is curious and wide-ranging but somewhat uneven and disjointed.

The eager dipper for facts about the Manchester region will find them here in abundance. The longest chapter deals, appropriately enough, with climate (not as bad as supposed), and landscape, geography, flora and fauna, history, industry, medicine, education, town planning, and many other subjects (e.g. some social pioneers) are all included. The one thing generally lacking

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is lightness of touch and one longs for a few pages of Neville Cardus describing cricket at Old Trafford or concert-going in the old days of the middle-class hegemony. In consequence, the history and character of Manchester emerge in very neutral tints. This is the kind of stolid, factual book which would have won the Prince Consort's praise over a century ago; but perhaps that too is an appropriate tribute to the city in question.

China's New Pattern

China

By Victor Purcell.
Benn. 340 pages. 37s. 6d.

PROFESSOR PARKINSON might say that the number of books published about a foreign country is in inverse proportion

Paperback Selection

The latest entrant to paperback publishing is the firm of Duckworth, which has reissued four of its "Great Lives" all at 5s.

Below is a guide to some of the paperbacks received by this journal in recent weeks:—

Biography:

OLIVER CROMWELL. By C. V. Wedgwood. 144 pages.
BACH. By E. Meynell. 140 pages.
NAPOLEON. By H. Butterfield. 143 pages.
DICKENS. By B. Darwin. 135 pages. (Great Lives series.) All 5s. Duckworth.

Current Affairs:

WORLD EVENTS 1962. 617 pages. 15s. Penguin.
POLITICS IN AFRICA: Prospects South of the Sahara. By H. J. Spiro. 191 pages. \$1.95. Spectrum. Prentice-Hall.
DIVIDED GERMANY AND BERLIN. By N. J. G. Pounds. 134 pages.
RUSSO-CHINESE BORDERLANDS. By W. A. D. Jackson. 131 pages.
SPAIN IN THE WORLD. By S. Bradford. 126 pages.
PACIFIC ISLAND BASTIONS OF THE UNITED STATES. By H. Wiens. 131 pages. (Searchlight Books). All 12s. van Nostrand.

History:

CICERO AND THE ROMAN REPUBLIC. By F. R. Cowell. 415 pages. 8s. 6d. Pelican. Penguin.
PROTESTANT THOUGHT BEFORE KANT. By A. C. McGiffert. 281 pages. 11s. 6d.
THE MISSION AND EXPANSION OF CHRISTIANITY. By A. Harnack. 548 pages. 17s.
THE MIND OF MODERN RUSSIA. Edited by H. Kohn. 310 pages. 13s. 6d.
REVOLUTION FROM 1789 TO 1906. Edited by R. W. Postgate. 414 pages. 15s. Harper Torchbooks. Hamish Hamilton.

Literature and Literary Criticism:

LECTURES IN CRITICISM. Edited by E. Coleman. 217 pages. 11s. Harper Torchbooks. Hamish Hamilton.
SELECTED POETRY OF W. B. YEATS. 253 pages. 5s. Macmillan.
THE STORY OF THE BIBLE. By H. van Loon. 352 pages. 5s. Mayflower.

to the knowledge and understanding of it among those who write books. The present spate of books on China certainly reflects this. Modern China is usually explained according to the theory that the country is run by devils, or, alternatively, by Marxist gods. In such circumstances balanced judgments are welcome. This Mr Purcell provides. For many years he looked after the interests of the Chinese community in Malaya in his official capacity as Protector of Chinese. He has a good first-hand knowledge of China itself. With intelligent sympathy he explains the special Chinese outlook with reference to China's past, and how Chinese discipline and self-sacrifice are characteristic of all mass movements seeking change. Thus, he argues, the Chinese feel free and have actually fared much better under communism than under

former regimes, for all that Mr Dulles thought them slaves. The wide scope of the book allows the theory of the Overseas Chinese being a fifth column for communism to be placed in perspective. What Mr Purcell says about Tibet is a refreshing change: far from being an idyllic retreat from the London rush-hour, it was a primitive feudal society with little to commend it.

Dr Joseph Needham is quoted as saying that the lengthy historical introduction is brilliant. As he is the most quoted source in that introduction, and as Mr Purcell does not skilfully bring together the main strands of Chinese pre-communist development, there is little beyond mutual admiration to explain this. Mr Purcell is tedious when he gets down to politics. To be balanced and readable seems too difficult; it is a pity.

MALE AND FEMALE. By Margaret Mead. 413 pages. 6s.

ANATOMY OF PRISON. By H. J. Klare. 159 pages. 4s.

HUMAN HEREDITY. By C. O. Carter. 266 pages. 6s.

KNOW YOUR OWN I.Q. By H. J. Eysenck. 191 pages. 3s. 6d.

THE SIMPLICITY OF SCIENCE. By S. D. Beck. 239 pages. 4s. Pelican. Penguin.

TIME'S ARROW AND EVOLUTION. 2nd edition revised by H. F. Blum. 234 pages. 12s. 6d.

MODERN THEORIES OF DEVELOPMENT. By L. von Bertalanffy. 218 pages. 11s. 6d. Harper Torchbooks. Hamish Hamilton.

SATELLITES AND SCIENTIFIC RESEARCH. By D. King-Hele. 240 pages. 9s.

SELF-ANALYSIS. By K. Horney. 309 pages. 10s. Routledge.

Miscellaneous:

COAST TO COAST. By J. Morris. 243 pages. 9s. 6d. Faber.

LONDON. (Benn Pocket Guide). 160 pages. 6s. Benn.

CHRISTIANITY, DIPLOMACY AND WAR. By H. Butterfield. 128 pages. 2s. 6d. Wyvern. Epworth.

THE BOOK OF SNOBS. By W. M. Thackeray. 276 pages. 7s. 6d. Dolphin. W. H. Allen.

AN INTRODUCTION TO JEWISH BIBLE COMMENTARY. By B. M. Casper. 134 pages. 7s. 6d. JUDAISM AND ISLAM. By E. I. J. Rosenthal. 170 pages. 7s. 6d. Yoseloff.

THE HIGHER LEARNING IN AMERICA. By R. M. Hutchins. 138 pages. 10s. 6d. Yale University Press.

THE RAILWAYS OF BRITAIN. By O. S. Nock. 224 pages.

THE RACING CAR. By C. Clutton et al. 247 pages.

SWITZERLAND. By J. Russell. 192 pages. All 5s. Batsford.

ELEPHANTS. By R. Carrington. 285 pages. 8s. 6d. Pelican.

SCOOTERING. By J. Stevens. 263 pages. 5s.

BANDOOA. By J. H. Williams. 207 pages. 4s. NO ROOM IN THE ARK. By Alan Moorehead. 219 pages. 5s. Penguin.

THE SURVIVAL OF THE PAGAN GODS. By J. Seznec. 390 pages. 17s. Harper Torchbooks. Hamish Hamilton.

PAPERBACKS IN PRINT JUNE 1962. 390 pages. 3s. 6d. Whitaker.

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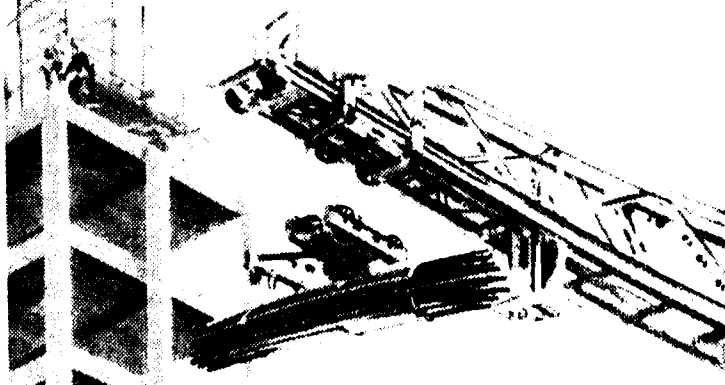
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THE WORLD OVERSEAS

COMMONWEALTH ATTITUDES—1

Australia Takes a Cooler Look

FROM A CORRESPONDENT IN AUSTRALIA

IN the eight weeks leading up to next week's Commonwealth talks in London Australian opinion about the common market has altered somewhat. It is a vague and fluid opinion, but an extreme sense of grievance seems to be *démodé*. In this connection some interesting shifts of public and parliamentary favour have lately been observed in the snakes and ladders of democratic politics.

The prime minister, Mr Menzies, who had been having snake trouble for a long time, has gone up a ladder. Between his return from London and Washington in July and his departure this week for the Commonwealth prime ministers' discussions about the common market, his utterances on that subject have been notably statesmanlike. There has been none of the emotionalism or exaggeration of Australia's misfortunes which the former minister for air, Mr Bury, castigated in July in the speech that cost him his job. One has the impression that in his recent talks overseas Mr Menzies was impressed, both in London and Washington, by the arguments in favour of Britain's entry. Having stated Australia's interests as forcibly as possible, it seems that he does not want the responsibility for causing Britain to drop the common market project against its better judgment.

There is still room for a clash about political union. Mr Macmillan's exchange with Dr Adenauer has made plain the British Government's intention to join in a European political union—though without making clear just what measure of political union he has in mind. Mr Menzies, for his part, made his position plain in a speech on August 9th when he recorded his unqualified opposition to Britain's membership of a European federation, but his approval of closer political arrangements and co-ordination of policies. His stand appears to have been misinterpreted by some British papers as a shift in the grounds of opposition—as “second thoughts.” But it is what Mr Menzies has always said.

As one who has worked for the Commonwealth connection all his political life, he cannot easily contemplate the weakening of its structure that would follow a part-abrogation of sovereignty by one of its members. It is on the economic issues that his opposition appears to have been somewhat modified, and this principally because of the reassuring nature of his conversations with President Kennedy, of whom he said, “I am sure that he is our friend.” Mr Menzies appears to feel that in view of the mutual understanding that was achieved, and of the substantial identity of Australian and American trading interests in relation to the common market, American influence will be used to prevent the common market from adopting price and tariff policies that would be too injurious to Australia.

Mr John McEwen, the minister of trade, has slithered down a snake. One reason for this is the impression that, unlike Mr Menzies, he failed to win the sympathy of the Americans, ending by roughly telling them (in a speech made after his return to Australia) that if they would not help they should “get out of our hair.” He has also lost support over the Bury affair. Quite apart from the fact that many people agreed with Mr Bury, the parliamentary Liberals have resented Mr McEwen's attack on their colleague, and those who had been thinking that the leader of the

Country party would make a better successor to Mr Menzies than any-

one in their own ranks seem to have changed their minds. Mr Bury himself, paradoxically, has gone up a ladder with his relegation to the back benches, and many members of the general public, who until then had never heard of him, now remark how nice it was to have a minister with a mind to speak, or that his economic expertise all too briefly filled a long-felt want in the cabinet.

Up a ladder goes Mr Gough Whitlam, the deputy leader of the opposition. He has had a chance to prove his quality during the past month while his leader, Mr Arthur Calwell, has been in hospital. Labour supporters of the traditional type, more accustomed to crude repartee from their leaders than to measured or thoughtful utterances, were stunned into unwonted silence by three important speeches packed with information by their deputy leader. One of these was on the common market, about which Australian policy is bipartisan: Mr Whitlam aimed at the chink in the coalition armour by suggesting that the negotiations might have gone better for Australia if the outlook had been “more global and less selfish.” He also remarked that Mr McEwen “could not resist the opportunity to blame Britain's application to join the European common market for the deterioration and deficiencies of Australia's trading pattern.”

Nowhere, of course, is there any disposition to undermine the analysis of possible effects that forms Australia's case to the Six. What has changed, with a better understanding of the issues involved, is the emotional atmosphere. This creates a better background for statesmanship at the conference; Australia can now no longer be heard yelling that it has been stabbed in the back by mother.

COMMONWEALTH ATTITUDES—2

The New Diefenbaker

FROM OUR CANADIAN CORRESPONDENT

THE John Diefenbaker who arrived in London yesterday for the Commonwealth prime ministers' conference may not strike his colleagues as a silent or a cautious man. That will depend upon their standards. But by the previous Diefenbaker standards he has appeared to his fellow countrymen as both laconic and prudent ever since the June events which left him and his ministers in a state which one of them frankly described as shellshock. Without doubt Mr Diefenbaker has seen a hard summer. The election campaign revealed a startling change in the public reaction; the contrast to the enthusiasm of 1958 visibly upset him. The results, cutting his House of Commons following from over 200 to 116 and leaving him in a precarious minority against three opposition parties, represented a rebuff which few of the leading Conservatives had been able to contemplate before it happened.



Staggering under this bitter blow, the Diefenbaker cabinet was presented on the very next day with the exchange crisis—a drain of reserves and a run on the Canadian dollar which had been predictable (and had, indeed, been predicted) for weeks before the election, but which they had not allowed themselves to recognise. Within a week they had to introduce emergency measures that contradicted everything they had been saying during the campaign—import surcharges, tight money, higher interest rates, cuts in government expenditure. Mr Diefenbaker's announcement of June 24th on what the public has, with exaggeration, called "the austerity programme" is the last word he has vouchsafed to the public on major policies. Last month he made some changes in his cabinet, in particular removing Mr Donald Fleming from the ministry of finance to the ministry of justice and bringing in by way of the senate a minister without portfolio from the business world, Mr Wallace McCutcheon, former vice-president and managing director of the Argus Corporation. He replaced Mr Fleming with a hardy Nova Scotian, Mr George Nowlan, who had formerly been minister of national revenue.

Slight as these changes may appear, they may portend a more coherent, down-to-earth approach than ever seemed possible in the continual atmosphere of tension between Mr Diefenbaker and Mr Fleming which marked the previous government. But that remains to be seen. Whatever plans the new ministers may make to replace the emergency measures by "a positive and constructive programme" as promised, nothing has been revealed. Regrettably, but perhaps inevitably, consideration of basic policies is hopelessly confused with the political calculations of a government which cannot stay in office without support from one of the three opposition parties. If the Liberal leader, Mr Lester Pearson, with his 100 followers, introduces a short general motion of no confidence at the beginning of the session which starts on September 27th, the Conservatives cannot survive without support either from the 30 Social Crediters or the 19 members of the New Democratic party. The New Democrats are not likely to save Mr Diefenbaker. The maze of contradictory statements from Social Credit leaves their position as uncertain as a poker hand. The nominal leader, Mr Robert Thompson from Alberta, has sounded as though he were prepared to keep the government in. The deputy leader from Quebec, M. Real Caouette, has contradicted himself so often that no one can tell where he may land on the day. But M. Caouette is the apparent leader of the 26 Social Credit members who come from Quebec. Even if Mr Diefenbaker tried to reach an understanding with Social Credit, it looks as though it would be like going into partnership with an eel.

THE silence and caution that have marked Mr Diefenbaker's approach to all these pressing domestic problems seem also to extend to the British proposals for entry into Europe, and again they make a striking contrast to the position Canadian ministers were taking barely a year ago at Accra. For all their earlier fuss, they are now accepting the implications of the Brussels negotiations and the Kennedy trade expansion programme. Both the finance department and the department of trade and commerce are laying repeated stress on the freer trading world to which Canada must adapt itself, and the minister of trade, Mr George Hees, is exhorting Canadian industrialists to make themselves competitive in world markets instead of relying on protection.

Mr Hees has not gone to London with Mr Diefenbaker. The only minister with him is Mr Howard Green, the minister of external affairs, and Mr Green's fervent aim will be to draw a discreet veil over what happened at Accra and demonstrate the fullest possible spirit of Commonwealth co-operation. Neither he nor Mr Diefenbaker is qualified by interest or knowledge to enter into detailed discussion of the trade questions occupying the

Brussels negotiators. They are both concerned, by instinct and tradition, with the political future of the Commonwealth. In this, as Mr Diefenbaker showed during the discussions about South Africa, their thinking is nearer to that of the Labour party than to that of many British Conservatives. The Commonwealth link between the old dominions, Africa, India and Asia has a very high value in their minds. Methods for securing continued political co-operation in the Commonwealth are likely to receive far more emphasis from them than any of the knotty trade problems still outstanding at Brussels.

Mr Nyerere's Wheelbarrow

FROM OUR SPECIAL CORRESPONDENT

IT has become a habit for Tanganyika cabinet ministers, when they reach the last item on their agenda, to adjourn to the Dar-es-Salaam suburbs in their work-clothes and toil away through the evening at their "Any Other Business"; this is digging foundations for houses and laying new roads. Not only does this set a good example to their nine million countrymen in the national campaign of self-help schemes; everyone who has sweated alongside them (including one blistered high commissioner) agrees that they enjoy it. Long after the photographers have gone, Mr Rashidi Kawawa, the prime minister, is swinging his hoe and Mr Julius Nyerere is trundling a wheelbarrow. Cynics will say it is simply good mental therapy after facing the less tractable problems of pushing along the government of a poor country. But it is more than that: it is, for instance, an illustration of Mr Nyerere's thesis that Ujamaa (familyhood) is the basis of African socialism; the family is one in which everyone takes a hand with the hoeing.

Nomination day passed this week with one undaunted man challenging Mr Nyerere for the post of president of the new republic in December. But nobody gives Mr Zuberi Ntemvu a ghost of a chance of winning against the Father of the Nation. His Tanganyika African National Congress holds only a few district council seats. Mr Nyerere is thought of as president-designate already, and it seems as though he has never ceased to be chief executive. This is in part because he and Mr Kawawa have worked so harmoniously and closely together since his resignation in January. Mainly it is because the most important matters legislated on during these last eight months have been just those that Mr Nyerere had decided to tackle after he resigned. He has never had a moment to put down his political wheelbarrow.

Mr Nyerere has said that he decided to resign after hearing members of his party's national executive (which includes trade union leaders) refer to the newly independent government as "they." Opinions naturally differ about the degree of success he has had in bridging the gap between the government and the Tanganyika African National Union branches, and between TANU and the Tanganyika Federation of Labour. But most would say that his policies—and the government's subsequent laws—are along the right lines. The appointment of nine TANU stalwarts as regional commissioners was swiftly justified. Civil servants who mistrusted a plan for "political commissars" were soon relieved to have someone else shouldering the responsibility for political decisions. And the regional commissioners quickly became mature leaders, almost sahibs, extolling the worth of the three-year development plan, lecturing councillors about the irresponsibility of drinks before sun-down or giving schoolchildren a pound for singing the national anthem in tune.

Criticism arose only when this system for binding the regions more closely to the central government was extended in May to the appointment of area commissioners to take over the more public powers of the district commissioners. It has been difficult to find 56 party men of reasonable education and calibre, not already highly

placed in government, to take these posts. In addition, local government officers began to be appointed last month to advise—even to instruct—the district councils (all TANU men) how to do their business. They have been mainly drawn from the ranks of the African district officers, while the remaining European district officers have headed for non-political posts such as local courts officer. The African district commissioners, now renamed area secretaries, and the National Assembly members who find area commissioners guiding the district councils and taking all the political decisions in their constituencies, are inclined to question the usefulness of area commissioners, and even to suggest that the whole structure may warp under the weight of too many politicians with executive powers. But the minister for local government, Mr Job Lusinde, is happy about the experiment; he says that the powers of the councils have on the whole been increased rather than circumscribed.

The new republican constitution, which gives the president (in Mr Nyerere's own words) "terrific powers," has been accepted without demur, except by a few non-Africans who regret the absence of any Bill of Rights. More specifically, they worry about the attitude of mind of the leaders who dismissed plans for a Bill of Rights. It is, they say, the attitude of men who argue, "We must not tie our hands in circumstances we cannot foresee." All, however, accept as valid the government's argument that a Bill of Rights could stir racialism by bringing the executive into conflict with the judges on political matters at a time when the judges are all non-African. And the adoption of the Ghanaian method of interlocking the election of the president with that of the majority party is thought a sound means of both making him the popular choice and ensuring that the Assembly is his effective partner, in contrast to the American pattern.

SUCCESS with the trade unions has yet to come. The leaders of the Federation of Labour have sucked through the sugar on the Trades Union Act, which compels all unions to affiliate with the federation and employers to operate a "check-off" system for collecting union dues as well as a provident or pensions scheme. They find the undercoating bitter, since the right to strike is restricted to those rare cases where both sides in a dispute agree not to go to arbitration. The new machinery may run smoothly once it is rolling, but at present union officials dislike being deprived of their steering wheel. When the Tanganyika High Commissioner in London, Mr Christopher Tumbo, resigned ten days ago for "political reasons" it was freely predicted that he might try to build an opposition round the unions and other dissident groups, such as those who resent chiefs losing their administrative powers. But Mr Tumbo, as a railwaymen's leader, watches his signals carefully and will not head down a line where the track is unsure.

In foreign policy Mr Nyerere should return to a happier situation than the one he left in January. On the eve of independence he said, "We will not allow our friends to choose our enemies for us." Since then Tanganyika has set about reconciling one incipient foe, Zanzibar, and has picked two notable new friends, Israel and Guinea. President Sekou Touré had to cancel his visit last month, but promises to come soon. Israel has been making an increasing impact, with 200 short-term bursaries (including one for Mr Nyerere's wife), and offers to train six Tanganyikan pilots, build and help to run a 200-room hotel and run the government's chain stores.

Reconciliation with the Zanzibar Nationalist party began at the Pan-African Freedom Movement for East, Central and Southern Africa conference in May. Suspicions have eased since last year, when the ZNP put most of the blame for the election riots on hooliganism by mainlanders and speeches from a TANU visitor. However, Tanganyika immigrants now face stiff hurdles on entry into Zanzibar, and in reprisal Tanganyika demands a £50 deposit

from every Arab landing from the islands. In May PAFMECSA instructed its Kenyan secretary-general, Mr Peter Koinange, to mediate between the ZNP and the Afro-Shirazis, and his work has been frustrated (temporarily, at least) only by the Afro-Shirazi leaders' failure to sell the idea of a political bargain to their followers before the news got out unofficially. Mr Nsilo Swai, Tanganyika's ambassador to the United Nations, was cross-examining the ZNP delegation harshly as late as July, but the avowed aim now is friendship with all (including the Arabs of the ZNP) and encouragement to join an East African federation.

Meanwhile, the rest of East Africa shows some signs of drifting apart, as each territory propounds different views on the position of chiefs, on land tenure, on trade unions and on the structure of the administration. Mr Nyerere, as president-apparent and for two years the leading advocate of an East African federation, has a heavy load of problems dumped in his wheelbarrow.

Put Out Two Flags

FROM OUR BONN CORRESPONDENT

AS befits his more soldierly habit, President de Gaulle seems to have had a conception clearer than Dr Adenauer's of the immediate achievable aim of his visit this week to the German Federal Republic. The general's primary objective has been quite openly to win the hearts of the German public at large for the constructive, reconciliatory work of a very small minority of Frenchmen and Germans. To this end he set out to show himself to the crowds in Bonn, Cologne, the Ruhr, Hamburg, Munich and Stuttgart—a lone, undeniably lofty symbol of the incredible thing that has happened within the space of ten to twelve years.

At the August Thyssen steelworks (one of the bigger fish in the European coal and steel pool), at a Bundeswehr officers' training college at Hamburg, and at a youth rally in the grounds of Ludwigsburg castle, he has chosen to address himself also to significantly representative audiences. The operation has been planned with precision and imagination, the state visitor himself having meticulously vetted the disposal of every minute of his time. The preparatory exchanges between the protocol men in Paris and Bonn, with the president breathing down their necks, have been well in the tradition of the finicking between the Bourbon and the Hapsburg courts concerning the handing over of the bride, Marie Antoinette, in that diplomatic no-man's-land of a tent on the Rhine island near Strasbourg.

At the Bonn end—having a last glorious fling as chief of protocol before he leaves for New York next week to serve as German observer at the United Nations—Herr Sigismund von Braun has sedulously briefed all regional masters of ceremony. The pageantry of the president's entertainment, he enjoined, must put that of all preceding state visits in the shade. And so, this Saturday and Sunday, Munich will be dutifully putting out more flags and doing its cheerful Bavarian best to turn its most embarrassing ghost, the late Adolf Hitler, green with envy.

To Dr Adenauer this is almost certainly not enough. The 86-year-old German is in much more of a hurry than is the 71-year-old Frenchman. By now the chancellor takes the francophile sentiments of his countrymen for granted, and probably regards the hubbub of the state visit largely as a waste of time. He would like to have been able to see more of the president alone, so that the two might have tried to give more shape and substance to their ideas for unifying western Europe politically. In the event, they were allotted only some four hours at the most for private talks in Bonn, and those interrupted by the interpreters. True, they are meeting again, rather publicly, in the provinces, and their foreign ministers are being given a chance from time to time to talk quietly in the background. But it is

cold comfort to Dr Adenauer to see this question of European political unity handled by Herr Schröder, who is so much less inclined than he to put a jealous, or exclusive, interpretation on the rules of admission of the European club.

Some days before his arrival in what the west German radio gamely continues on solemn occasions to call "the provisional federal capital," President de Gaulle let it be known through the German embassy in Paris roughly what he would like to talk about with Dr Adenauer. His agenda had three main headings—European union, Britain's entry into the common market, and Berlin and East-West relations. The president intimated further that he did not wish to discuss on this occasion exclusively Franco-German questions; and, at any rate up to the last moment, there was no intention on either side of airing the problems arising from French plans for developing an independent nuclear force.

There being little new at this moment to be said about Berlin, the subject of European political union has dominated the talks. President de Gaulle has been talking in moving terms of the need for closer collaboration between France and Germany. But, it seems, more in general than in particular. Excitement aroused by the reports that at Tuesday night's banquet, he had spoken of giving political union "an organic form" has died down now that the translation has been corrected and made vaguer. The president, it seems, is still of the opinion that much time must yet be spent in finding a workable form of union acceptable to all concerned.

In his turn, Dr Adenauer has been tentatively commending, by way of possible collective advance, M. Spaak's proposal that the Six should set up a four-man commission with the task of reconnoitring possible common courses in the fields of policy, defence, culture, and development aid. At the time this report was written, the Bonn foreign ministry was not expecting that before the time comes to part on Sunday the two statesmen would have reached any decision likely to bring about the summit conference that the Six had hoped to hold on this subject either this month or next. As for Britain's entry into the common market, both men's well-known misgivings were probably tempered by uncertainty about the outcome of next week's Commonwealth conference—as well as by the unmistakable verdict of the bulk of opinion in Germany that leaves Dr Adenauer virtually alone in wanting to fend Britain off from Europe's inner councils.

SOME west German political commentators have been soberly assessing the long-term objectives of President de Gaulle's ostentatious cultivation of the Federal Republic. They appreciate that he sees in Germany the last buffer—"the vanguard of the free world" as he himself put it at Cologne airport—between an over-mighty Soviet Union and a France weakened by war; and that he believes France must give the Federal Republic visible support if it wants to avert the danger of a recrudescence of radical nationalism after Dr Adenauer has gone. One commentator has pointed out that President de Gaulle's sympathy is limited to a Federal Republic confined within its present boundaries—a Germany only half the area of France. The president's acceptance of the finality of the Oder-Neisse line is so well known that the refugee organisations in Bonn have kept in their cupboards the clamorous streamers which they contrived to sling over President Eisenhower's route three years ago. The small Silesian and east Prussian flags which they gave to children to wave were probably unidentifiable to the visitor. Up to the time he left Bonn on Thursday morning President de Gaulle had not uttered a word in public concerning the desirability of reunification. Yet the Germans are being encouraged by their leaders to see some hope of its eventual achievement through a politically united Europe's bargaining strength in East-West negotiations.

There are sound international reasons why the president has left

Berlin out of his itinerary. Yet there were cries of "Why don't you go to Berlin?" from some of the Bonn sightseers, and the Free Democrats have professed disappointment that the president is not visiting the French garrison in the city. The old distrust of French intentions can still be seen simmering here and there beneath the surface of this week's parade of Franco-German friendship. And that, of course, is one of several reasons why the majority of Germans want Britain to be a partner in the new European dispensation.

A Saint Goes Abroad

FROM AN INDIAN CORRESPONDENT

PERHAPS in no other country today can one find such a bewildering mixture of hard-headed political realism and soaring idealism as in India. Officials are parleying with the Russians for the purchase of Mig fighters, and bulldozers are opening up military roads in the Himalayan border areas menaced by the Chinese. In the face of secessionist and disruptive movements in both north and south, local "integration committees" are being set up; a campaign has been launched to get every Indian to sign a pledge on October 2nd, Gandhi's birthday, that "I will not resort to violence to settle any internal dispute"; and on the morning of September 5th, an elderly Indian walked out of Assam into Pakistani territory with the slogan "I have come to loot you with love."

For eleven years Acharya Vinoba Bhave, whom Gandhi called "a priceless jewel," has walked the length and breadth of India. He has secured "gifts" of 4,177,572 acres from landlords for distribution among landless peasants, in whose misery he, like Gandhi, saw the germs of a violent revolution. He began his *Bhoodan* (land-gift) mission in the once communist-dominated area of Telengana in the former princely state of Hyderabad, where he virtually talked landlords and tenants out of what then seemed an inexorably developing blood-bath. Before reaching Assam in March last year he had walked some 39,000 miles. Among the "gifts" are some 4,700 villages whose inhabitants pledged themselves to renounce individual ownership of their lands, vesting it in the village community. In several states *Bhoodan* has yielded a crop of legislative headaches, and the *Gramdan* (village-gift) scheme has also run into official and psychological troubles; but the endeavour to demonstrate that Gandhian idealism is still alive and can produce economic results has caught the public's imagination.

In the summer of 1960 Vinoba Bhave decided that, if landlords could respond to his pleas, highway robbers in the Chambal ravines of Rajasthan could also be painlessly tamed. It is estimated that there are some 5,000 big-scale robberies in the area each year. The problem is partly economic. Soon after independence, disgruntled

feudal elements joined hands with starving vagabonds to make life a nightmare for the Rajasthani peasantry. It was said that the police fought the bandits by day and consorted with them by night.

Nineteen leading bandits surrendered to the Acharya as he walked unarmed among their rocky hideouts, and for a time public confidence returned. Today there is much less banditry and grudging officials admit that at least some credit for the more vigorous police measures should go to Vinoba Bhave for focusing attention on the problem. Under



stiletto vendetta

A TRAIL OF DESTRUCTION is left in the fashionable wake of a woman. One ton of femininity—the average impact weight of a stiletto heel—is the lacerating, splintering, tearing scourge that confronts the floorcoverings industry. In the forefront of this battle is Michael Nairn and on its way to blunt the stiletto is exciting new Armortile, resistant to indentation, flexible and easily cleaned.

But long-established Nairns are a company of young leaders and new ideas, of enterprise and ambition. Already, the designers and technicians are back at their drawing boards, working towards the ultimate in floorcoverings—soft and warm, yet impervious to even the most brutal fashions of the future.

And converting Nairn's plans into realities of the future is coal. Coal powers the Kirkcaldy works—and the Yorkshire factory, which has rocketed tufted carpet sales by 500 per cent in four years. Nairn chooses coal because coal gives the greatest heat for the lowest cost; because coal, burned in modern equipment, is smokeless; and because there's an inexhaustible supply of coal right here in Britain.

Like so many companies of vision and vigour, Michael Nairn plans its future on coal.

MICHAEL NAIRN
PLANS ITS FUTURE ON **COAL**

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Farmer GEORGE HOWLETT's livelihood depends on valuable tractors and implements. He keeps them safe and dry in sheds built of corrugated asbestos-cement sheets made by TURNER'S ASBESTOS CEMENT CO. LTD.

Air Hostess ANNE SPOTTISWOOD hears little jet-noise in London Airport's Terminal buildings. The roofs are sound-insulated by STILLETT PRODUCTS LTD.

Beauty Editor SONYA LAVELLE writes in an office stacked high with cosmetic samples—many of them formulated around ingredients from THE WASHINGTON CHEMICAL CO. LTD.

GRAMM HILL clips seconds off lap times knowing he can rely on safer braking with drum and disc brake linings from JERODD LTD.

Schoolboy JOHNNY BLAKES gets endless fun from his Hornby Dublo model train set. BRITISH INDUSTRIAL PLASTICS LTD.'s mould factory made the tools from which Johnny's trains were moulded.

It's safe and comfortable voyaging for Able seaman JACK WALTON, whose one-deck cabin is insulated by NEWALL'S CELESTON CO. LTD.

SADLY ROBES, headless formal at an old refinery, know the inside-out made from TURNER BROTHERS' ASBESTOS CO. LTD.'s heat-resistant cloth.

Manchester business-man KEITH WAKEMAN on his weekly rail trip to London appreciates the comfortable quiet ride in coaches insulated with J. W. ROBERTS LTD.'s sprayed Lampet asbestos.

No more wash-day blues now that housewife PHYLLIS CROCKER has a washing machine. GLASS FIBRES LTD. supplied the glass fibre for its plastic water-container.

his guidance peace committees have helped to rehabilitate hundreds of families uprooted by bandits. He has not forgotten the wives and children of robbers killed in action, and recently arranged the weddings of three daughters of bandit chiefs.

His present tour in the east has three objectives, besides Bhoodan. In Assam he has tried to assuage the linguistic rivalries between the Assamese and the economically dominant Bengali-speaking minority which in the past two years have flared up in violent conflicts. Secondly, the Moslems of East Pakistan have never reconciled themselves to living with the remnants of the Hindu population in their midst, and the volatile Hindu press of Calcutta has not made matters any easier. Bhabe himself has emphasised the third objective of his eastern march by pointing out that "I have come to a place so near the frontiers of India, Pakistan, Burma, China, Tibet and Nepal." He described the area as "a place from which either peace or destruction of the world may emanate." He fears that continued unrest in this strategic area may spell ultimate disaster both for India and for Pakistan.

Mr Nehru said in Calcutta on July 29th that he hoped the Acharya's tour would help to ease tension between the two countries. In the present state of Indo-Pakistani relations, any expectation of improvement seems rash. Mutual suspicions have undermined commerce even in bananas and movie films. But the fact that President Ayub Khan permitted the saint to march into Pakistan despite shrill protests from mullahs that he was "Islam's No. 1 Foe" indicates that a desire for reconciliation is not lacking.

The House of Saud

FROM A SPECIAL CORRESPONDENT

PRINCE TALAL'S defection to Egypt, together with two half-brothers and a cousin, last month is the first open breach in the solidarity of the Saudi royal family. There have been disagreements before, notably between the King and Crown Prince Faisal; but their importance has been regularly exaggerated. Prince Faisal has shown no sign of haste to step into his brother's royal shoes, while the King, despite rumours that are spread every silly season, has repeatedly and categorically declared that he has no intention of depriving his brother of the succession in favour of one of his own sons. In fact, the two senior members of the house have been indulging in a Box and Cox act, periods of extravagance under King Saud alternating with bouts of austerity under the premiership of Faisal. At the moment, the two brothers are probably closer than ever before, since Prince Faisal is reported to be bitterly offended by the violence of President Nasser's personal attacks on the house of Saud.

Nevertheless, the spectacular defection of Talal, coming at a time of hopeless confusion in the Arab world, must call for a reappraisal of consciences in the royal family, with results that can only be gloomy. The thirty-five surviving sons of the late King Abdul Aziz are a mixed bunch, as one might expect, and few of them can offer much hope of strong rule. The third, after Saud and Faisal, is Muhammad, who has long been written off as a playboy. The fourth, Khalid, is a dark horse. When tensions between the King and the Crown Prince reach a certain point, his name is usually mentioned as a potential compromise prime minister. But he has no apparent ambition for high office, and seems to take little active interest in public affairs.

After Khalid comes a group of princes in their early forties and late thirties, some of whom have held cabinet rank. Among them, Fahd and Sultan deserve special mention. Fahd was minister of education and deputy prime minister in Faisal's austerity government; but now seems to have dropped out of circulation. Sultan, although capable of exerting some personal influence, enjoyed the distinction, as minister of communications in Faisal's cabinet, of presiding over what must surely be the worst post office in the world. After

Fahd and Sultan come the professed liberals, with Talal now indisputably at their head. But not all of them have followed Talal into the wilderness. At least one still holds high position in Riyadh, and is presumably trimming his sails to the prevailing squalls.

There are informed observers of the Saudi scene who consider that Prince Talal has chosen the worst possible moment to depart for Egypt, at a time when Saudi public opinion has been genuinely shocked by the crudities of the Egyptian attack. Whether he will actually choose to set up a government-in-exile, or what effect it will have if he does, remains to be seen. The only possible good that is immediately discernible might be a slight acceleration of the Saudi government's welfare programmes.

By all accounts, Prince Talal is looking at distant horizons, and, in doing so, has overlooked the foreground that has to be crossed first. That foreground is cluttered with a hopelessly archaic administrative machine, the besetting curse of which is the refusal to take responsibility. All decisions have to be taken at the top, with the result that the top levels get clogged. It has been seriously said that Prince Faisal's austerity programme was only in part the fruit of deliberate decision; the rest was due to the Prince's sheer inability to get to the bottom of his in-tray and sanction projects that cried out for implementation.

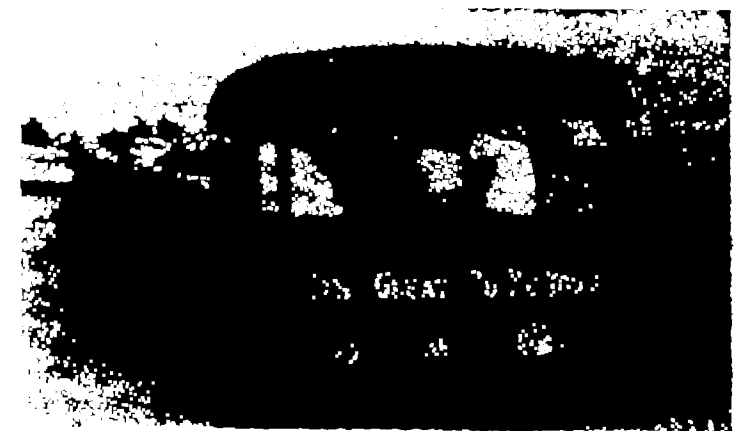
This situation, of course, will change. Standards of education are rapidly improving, and by now many young Saudis know the outside world—Beirut, Cairo, Paris, London and New York—as well as they know their own country, if not better. But, short of revolutionary chaos, the period of waiting for modern progress is bound to be wearisomely long. There are few with the vision to see the application in detail of modern practices, and none at all with the will and power to impose them. Prince Talal's self-chosen sojourn in the wilderness is likely to be a long one. He can console himself with the thought that he will enjoy it much more than the flesh-pots (such as they are) of his own country.

On the Trail of Africa

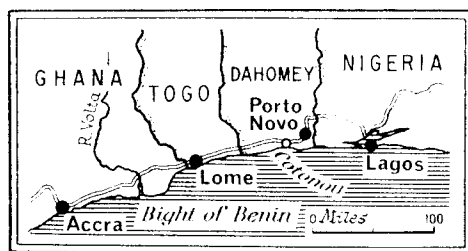
BY OUR SPECIAL CORRESPONDENT

ACCRA and Lagos, are drifting further apart, west Africans say, but they are still linked by a road only a few hundred miles long. It is a lovely road. For a very little money a white traveller will gracefully be offered the seat next to the driver of a mammy-wagon. A modern van with padded seats is a better idea than a doubtful lorry with boards across the back irons: the painted slogans are the same in both cases, and the African passengers are not always likely to be more closely packed in the newer wagon.

Leaving the atmosphere of the Accra market, not too regretfully, for the clear, damp air of the bush road is a good time for slogan-collecting. "Say Yours" (prayers or drinks?) and "Love Is All" seem more cheerful than one's own "The End Is At Hand," but even this beats the delight-phrases sung by the Party men about the Immortal One.



Yet Accra must be admired by those who depart from it: it is an admirable place to leave. There are memories of the grandiose Black Star square and of the big thinking behind rows of modern multi-storey buildings for the farmers, women's, trade unions' and party's organisations. Tema Harbour, soon passed, is brand new and marvellous: its market is as hygienic as the houses of its new town are uniform. But the wealth and dynamism of the black capital gradually fade away. As you enter Togoland it is at once apparent that colonialism has not been gone long. For one thing, the Ewe tribesmen manning the Togo side speak French; their brothers in Ghana speak English. (It is anyone's guess what they tell one another in Ewe, when the official uniforms are put away and the African night comes down.)



In Ghana you keep to the left; in Togo, to the right. The captain of the mammy-wagon sticks to the middle. Like a jet pilot, he slows down as he approaches Lome, the capital, which

is right on the border—for he may well overshoot his mark by more than the 31 miles' width of the country and find himself in Dahomey. They are a beautiful 31 miles, stretching back up into Africa (sometimes at twice the width) for 450 miles. The sea front is lined with palms, waving, says the republic's department of information, before "a sugar-sand beach."

A rusty iron pier stretches across the sugar-sand into the sea. Boats, some with outboard motors, bring packing cases from ships at rest offshore. For the moment, this is the national port and the chief means (apart from smuggling across the border, closed by Ghana) of importing anything.

The sensible thing to do might be to build a cheap bridge across the Volta and import through Tema, but Dr Nkrumah is not trusted by the Togolese (they plan not to buy his cheap surplus hydro-electric power either) and so a harbour must be built within the 31 miles of coast. The Germans, who lost Togo as a colony in the first world war, are building and paying for it.

This might do the Togolese more good than its only other finger into the sea, the jetty twenty miles from Lome built to export phosphate. The company is almost entirely French owned, and is enjoying a tax holiday. The phosphate is valuable, but working it will, initially at least, bring Togolese little more benefit than employment for about a thousand workers and some extra foreign exchange.

Nevertheless, there seems little chance that the Togo government will succumb to pressures or temptations to expropriate. "We are a small, poor country," they say in Lome, "and 1½ million people cannot afford the enmity of the whole commercial world." Much later in a conversation, they will point out that it is best to "fight the Europeans their own way" and use "subtle commercial blackmail" or "intricate diplomacy" rather than the clumsy bludgeon of newly acquired government powers. This sophisticated approach is in the blood of the ruling family of Togo. The president, Mr Sylvanus Olympio, was formerly manager of the United Africa Company in the territory: he is universally alleged to be honest. An Olympio clan is appearing. The Olympios are wide awake, western (they carry the blood of a Portuguese slave-trader proudly in their veins) and independent-minded.

The result is a curious relationship with France, from whom independence came in April, 1960. President Olympio values and continues to solicit French (and all other) aid, but his first post-independence move was to renounce the French contribution to his annual budget, which had sometimes amounted to as much

as a fifth. He has fully "Africanised" his civil service, retaining some French technicians, but he has watered down the French influence by calling on the services of French-speaking United Nations experts. He has kept aloof from African groupings designed to hold French client-states together, and his voting in the United Nations is highly independent.

But Togo still uses (French) west African francs. "We hope to be ready to produce our own currency within two years and, by starting our own bank, to be completely independent financially within five," the government says. This spirit is, to the dismay of the French, infectious: it is drawing the Dahomey government timidly in the same direction (the Dahomeyans were the first of General de Gaulle's acknowledged clients to allow a communist embassy within their borders).

The infection could spread from Dahomey, and the Togolese acknowledge that this perturbs France, which is, after all, still Togo's main market and source of funds. "But the French dislike the Ghanaians even more than they suspect us," the Togolese argue and this gives both governments something in common. Further, President Olympio is alert enough to placate General de Gaulle in private whenever he does something unwelcome to Paris in public. "We tell them that unless we make a public show of independence we cannot be a useful private influence for the French good among countries that have strayed further than us, or countries that are English."

The contrast is quickly felt in Cotonou, where the mammy-wagon rests awhile for the sake of the bright lights of a town peopled by many more Frenchmen than Lome. Here the government is an uneasy coalition of two, M. Apithy and M. Maga; each seems alternately on top. It listens to the Togolese, but almost invariably follows the French. The pay-off is visible: modern buildings in Cotonou compare with the near-slum that is Lome, yet both countries are much the same size. The new buildings, however, are French: one block of flats, for instance, was designed to profit from the existence of an unhoused diplomatic community.

Crossing into western Nigeria from Dahomey there is a new kind of bustle: people making money. Lagos from a distance is a stunning surprise after a journey through the bush: it has a multi-skyscraper skyline and many miles of busy outlying suburbs. Here are newspapers saying rude things about the government (and about neighbouring governments) and politicians feeling their way towards a "Benin Union" that would join the minute economies of Togo and Dahomey to the giant one of Nigeria. But Ghana is not mentioned as a possible member: Accra, they say, wants the other three countries to join Ghana, not the other way round. Getting down in Lagos market, the mammy-wagon traveller reflects that while the villages and the bush are all the same west Africa, the capital cities still live in separate worlds.

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President John F. Kennedy, Telstar news conference, July 23, 1962

Q.—Mr. President, the United States has reportedly invited Japan and other industrialized countries to invest in the building of plants in this country. Would you explain the thinking behind that, sir, and does it imply also that we are discouraging U.S. investment overseas in plants?

THE PRESIDENT: As you know, the United States investment overseas has been very heavy. In fact, it has been one of the matters which, of course, affects our balance of payments. Over the long run it does not, over the immediate run it does. We are anxious to have others invest in the United States, and particularly to invest in those areas where there may be higher unemployment, so this program is being operated through the Department of Commerce.

Presidential news conference, July 5, 1962

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Election in the Air

WASHINGTON, DC

Seldom has a mid-term election campaign reached Labour Day, its traditional starting point, with so much uncertainty about its probable outcome and even about its general tone. The Democratic landslide in the 1958 general election, the last nationwide polling when the Presidency was not at stake, was quite predictable. By the beginning of September four years ago it was obvious that the Democrats were going to benefit politically from a severe economic recession and from a suicidal attack on trade union prerogatives by many Republican candidates. But this time it is difficult to say which party will come out on top on November 6th or what issues will be stressed in a campaign which will not become intense until Congress adjourns, about October 1st, after an unusually long and singularly unproductive session.

Not all aspects of the coming campaign are cloaked in uncertainty, by any means. It is a fair bet that Democratic and Republican gains in the Senate will just about balance out so that the Democrats' present majority of two to one in that chamber will not change much. The Republicans are certain to increase substantially the abnormally low number of states which they now govern, but it is difficult to read a great deal of national significance into these contests. All the interest and the uncertainty lie in the battle for the 435 seats in the House of Representatives, all of which must be filled and many of which have revised constituencies as a result of the 1960 national census. Even though only about 100 of these contests will be close, it is nevertheless pure guesswork at this point to forecast how these key races will affect the Democrats' present majority of three to two in the House. It is conceivable, though unlikely, that Republicans could capture control of the House for the first time in a decade by picking up 44 seats. On the other hand, there is a slightly better chance that the Democrats might wind up with a net gain in seats, although this would be the first time since 1934 that the party in control of the national Administration had improved its position in mid-term elections. Dispassionate observers see a modest increase in Republican seats as the most probable outcome but nobody is quite sure.

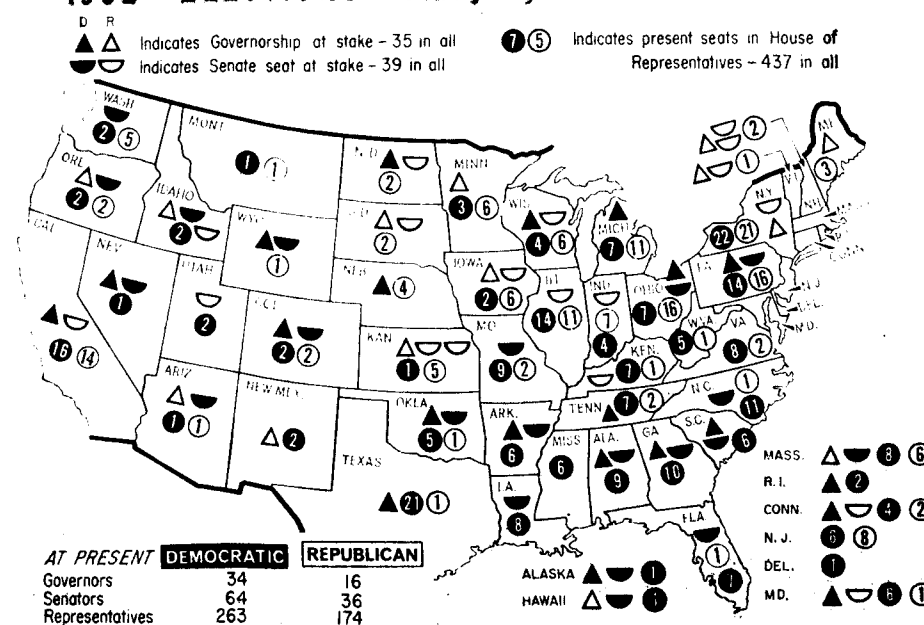
A major factor in this uncertainty is the absence of any clear-cut campaign issues even at this late date. Republican candidates will accuse the Kennedy Administration of spend-thrift fiscal irresponsibility, of softness towards communism, of anti-business policies that stifle the economy, of attempting to usurp congressional power and—in northern areas where there is a heavy Negro population—of lack of militancy in fighting racial segregation. But with the electorate apparently neither very happy nor unhappy about the state of the country or the world,

there is no one issue on which the Republicans can fight. The economy is sluggish but not really slumping; the world situation is troublesome but not in a state of real crisis.

By the same token, Democratic candidates have little to boast about in the way of accomplishments during President Kennedy's first two years in office. Although a late surge of activity by Congress is keeping this year's session from becoming the disaster for Democrats which it once promised to be, a major theme of the Democratic campaign will be that Republicans have obstructed the legislative programme, particularly the Bill to incorporate hospital benefits for old people in the social security system. But the northern urban areas where this Bill and other welfare measures proposed by President Kennedy are most popular are the solidly Democratic districts where Republican candidates do not have a chance anyway.

This unusual lack of national issues probably means that the individual House contests will revolve so much around local controversies and personalities that it will scarcely be possible to regard these mid-term elections as a true national referendum on the way Mr Kennedy has performed as President. Representative Rutherford, a Democratic member from Texas, may lose his seat to a Republican because of his friendship with Mr Billie Sol Estes, the disgraced Texas financier. A contest in the Kansas wheat country between Mr Dole, a Republican, and Mr Breeding, a Democrat—two incumbent members of the House thrown into the same district

1962 ELECTIONS: Polling Day: November 6th



* The total number of seats in the House of Representatives to be chosen this autumn reverts to 435 and they have been reapportioned among the states to allow for the changes in population which were revealed by the 1960 census. Nine states gain seats, sixteen lose them, as shown on the list below:—

Alabama	-1	Kansas	-1	Nebraska	-1
Arizona	+1	Kentucky	-1	New Jersey	+1
Arkansas	-2	Maine	-1	New York	-2
California	+8	Maryland	+1	North Carolina	-1
Florida	+4	Massachusetts	-2	Ohio	+1
Hawaii	+1	Michigan	+1	Pennsylvania	-3
Illinois	-1	Minnesota	-1	Texas	+1
Iowa	-1	Mississippi	-1	West Virginia	-1
		Missouri	-1		

because loss of population has lost the state a seat—will hinge almost entirely on the popularity of Mr Kennedy's proposals for tighter controls on the production of wheat. California has gained eight seats and Democrats count on scoring a net gain of at least that many there, not really because there is a high tide in Democratic fortunes in the state, but because the Democratic-controlled State Legislature artfully redrew California's congressional districts so as to keep Republican victories to a minimum.

Nor does Mr Kennedy have any illusions that he can have much influence on individual contests for the House, in spite of his plans for an amount of personal presidential involvement unprecedented in a mid-term election. The more sagacious Republican candidates will try, in fact, to keep their races from becoming tests of the President's strength. The party's paid publicists in Washington will issue broadsides belittling Mr Kennedy but the actual candidates in closely-fought contests will shy away from direct attacks on a President whose national popularity remains consistently high.

Nevertheless, the outcome of the elections for the House will be interpreted widely as a national judgment on the Kennedy Administration and will influence immeasurably the content and success of Mr Kennedy's legislative programme for the next two years. A Republican gain of 10 to 15 seats would give the coalition of Republicans and conservative southern Democrats effective control of the House and almost certainly would force the President to restrain his legislative desires. A larger Republican gain of from 20 to 30 seats would probably mean the abandonment of any hope for health benefits, federal aid to education or tax reform. On the other hand, a slight Democratic gain in the House or even a Republican gain held to less than 10 seats would be viewed as a vote of confidence in the Administration and would improve immensely the prospects for the President's programme next year.

WITH no great change in the composition of the Senate likely as a result of the voting in November, the major impact on the upper body of the mid-term elections will probably be the psychological effect of the outcome of the House contests. But there will be a significant alteration in the way in which affairs are conducted in the Senate if Mr Sidney Yates, a vigorous Democratic member of the House from Illinois, succeeds in his efforts to unseat Senator Dirksen, the Republican floor leader. While opposing Mr Kennedy's domestic proposals, Mr Dirksen has given the President a helping hand in passing such vital Bills as the foreign aid authorisation and authority to purchase United Nations bonds. Most probably his successor as Republican leader would be far less co-operative.

The influence of the contests for State Governorships will be felt mainly in the struggle for power inside the Republican party. Significant Republican gains in the gubernatorial contests seem inevitable for a variety of reasons: some incumbent Democratic Governors are political freaks who hold their offices solely because of their party's landslide in 1958; many have fared poorly because they had to deal with Republican Legislatures and Republicans have come up with remarkably good candidates for these state offices. These factors point to a strengthening of the influence of the State Governors on the shaping of Republican policy; they are likely once more to become a liberal counterforce to the party's stolidly conservative congressional wing.

The most encouraging prospect of the gubernatorial elections is the rise to prominence in party circles of moderate and enlightened Republicans to offset the party's trend to the right immediately after Mr Kennedy's victory two years ago. One such Republican is Mr Fred Seaton, who was General Eisenhower's Secretary of the Interior and who is now a heavy favourite to be elected Governor of Nebraska. Other important Republican candidates of this nature for Governor are Mr George Romney, former chairman of the

American Motors Corporation, in Michigan; Mr William Scranton, a member of the House, in Pennsylvania; and Mr John Alsop, brother of the journalists, in Connecticut. Because of the likelihood that the Governors' influence in party affairs will grow and because of the apparent waning of the spell once cast by Senator Goldwater, the leader of the right wing, the Republican nominee for President in 1964 may well be one of the Governors elected in November. If Governor Rockefeller scores an impressive triumph over a weak and divided Democratic party in New York, he will pull into a commanding lead for the presidential nomination. Victories for Mr Romney and Mr Scranton would put them in the category of presidential dark horses. And if Mr Nixon comes from behind to displace Governor Brown in California he cannot be counted out completely.

Blocked Railway Lines

MR WILLARD WIRTZ, Mr Goldberg's successor as head of the Department of Labour, falls heir to the urgent and unenviable task of settling the strike on the Chicago and North Western Railway. This broke out after the management had refused to accede to the demand of the Order of Railway Telegraphers that it re-employ over 500 members of the union who had been dismissed during the past five years in an economy drive and that it make no further layoffs without consulting the union. Thirty railway companies have been challenged in this way, in an attempt to set a national pattern. One, the Southern Pacific Railroad, gave in last year; but in five other cases, including that of the New York Central Railroad only last week, emergency fact-finding boards have recommended that the telegraphists drop their demands. The Chicago and North Western objected on the grounds that acceptance would be tantamount to giving labour power to veto modernisation. All legal procedures under the Railway Labour Act had been exhausted and the telegraphists walked out; other unions respected their picket lines and the operations of the railway—the third largest in the country, serving nine midwestern states—have been at a standstill for a week, to the inconvenience, if not worse, of industry, farmers and 35,000 commuters who travel to work in Chicago every day by train.

This is a tough assignment even for a man with as much experience in labour negotiations as Mr Wirtz; already this year, as Under Secretary of Labour, he has been given the chief credit for settling the West Coast shipping strike and for staving off a nationwide airline strike. Both these disputes involved much the same issues as the present strike—what to do about job redundancy developing out of technological improvements—and Mr Wirtz will certainly have to spend a great deal more of his time dealing with such questions. Already there is a threat of a national railway strike if five unions, representing the men who actually work on the trains, fail to obtain a permanent injunction against proposed changes in working rules which would eliminate 65,000 jobs but which the employers say are necessary in the interests of efficient and profitable operation. A temporary restraining order is now delaying these changes until the case comes up in the Appeals Court, which should be before the end of the year.

The railway unions also have deep-rooted apprehensions over the effect of mergers on job security. The Interstate Commerce Commission is working on cases involving 38 railways, with 60 per cent of the country's total mileage, but is not likely to reach any broad decision before next year. One of the objectives of such consolidations is economy through the telescoping of jobs—though recently at hearings before the ICC the president of the Pennsylvania Railroad, which wants to combine with the New York Central Railroad, argued that, if a prosperous system resulted from such a merger, employment would be increased while now it is menaced by the economic difficulties arising out of separate operations.

Fall-out—Up and Down

SIR BERNARD LOVELL and other scientists who objected to high-altitude tests of nuclear devices because they might disrupt later experiments in the upper atmosphere may be forgiven for saying "we told you so" now that the American authorities have announced that their explosion on July 9th did indeed change the belt of radiation around the earth and that the alterations may be relatively permanent. The belt has become more dense, with high energy electrons generated by the test, and deeper, so that it is now nearer to the earth although not near enough to affect flights of manned satellites. But at least three unmanned satellites which were already in orbit, including the British Ariel, were damaged badly. Moreover, the effects seem to be wearing off more slowly than was anticipated, so that some planned launchings may have to be postponed and some satellites redesigned to resist the increased radiation.

Earth-bound Americans are also having to deal with increased radiation and this too is the result of their own tests, not Russian ones. In Utah some pastures were so contaminated by fall-out from the nuclear explosions above ground in Nevada during July that concentration of radio-active iodine in milk went as high as 580 micromicrocuries a litre at one western testing station, although at others the figure was much lower. When it goes above 100 local health authorities are supposed to consider protective measures since this iodine 131 can cause cancer of the thyroid, particularly in children. In Utah about 70,000 gallons of milk a day, at the peak, were taken out of fresh consumption and diverted into manufactured products; the contamination has a short life and will have ceased to be dangerous by the time such products are consumed. In Utah some cows were also taken off fresh grass and fed on dry fodder, old enough to have lost its radio-activity. This practice is also now being followed voluntarily throughout Minnesota, the leading dairy state, as a safeguard in case radio-activity goes up even more as a result of the current Russian tests.

It is being questioned whether these precautions are in fact necessary and they have led to a critical re-examination of the official standards for assessing the danger from fall-out. These are set by the Federal Radiation Council and are not obligatory but only guides for local authorities to follow if they wish, after taking other factors into account. (The FRC thinks that the action taken in both Utah and Minnesota was premature.) Furthermore, in reply to the Joint Congressional Committee on Atomic Energy, which is concerned at the impact of such measures on public opinion and on milk consumption, the FRC said that its guides were intended only for workers in atomic plants and were never meant to apply to fall-out from nuclear explosions. The council admits that it is not able to judge exactly when radio-activity from this source becomes dangerous; it only knows that as yet the health of Americans is not being menaced. It is not surprising that Republicans are accusing the Administration of having no clear policy on fall-out.

Our Mutual Fund?

NEW YORK

THE huge industry which has been built up around mutual funds, the American form of what are called unit trusts in Britain, is outraged at the analytical study of its activities made by the University of Pennsylvania's Wharton School of Finance and Commerce on behalf of the Securities and Exchange Commission. Wild and vituperative charges are being hurled at the authors and instead of concentrating on the areas where the study may be at fault the industry is scattering its fire recklessly. Apparently it

hopes to discredit the whole operation but in fact it is merely drawing more than ordinary attention to the findings of the study. And once the shouting dies down, the mutual funds will have to answer both the substantial evidence contained in the report that there are glaring deficiencies in their practices and the implication that the interests of shareholders, who number some five million, are inadequately protected. In essence the study alleges that though the funds are mutual in character they are not living up to their name, a charge which is both damning and difficult to refute. Although the study makes no specific recommendations—a task it leaves to the SEC and to Congress—it suggests that changes, many of them major, are in order. The remarkable growth of the assets of mutual funds, from \$4 billion in 1952 to \$19.5 billion at present (they were over \$23 billion before the collapse of the stock market this spring), is their best defence but it is not a foolproof one.

Mutual funds, which are so heavily concentrated in equities and played so big a part in the cult of the common share, have nothing to be ashamed about when their results are compared with those achieved by other types of savings institutions. But much of their growth is due to the net inflow of new money, which has averaged a remarkable 14 per cent a year. The study makes it clear that, while existing shareholders have enjoyed a considerable appreciation as a consequence of increases in market values, they have not profited from the rise in assets which has resulted from sales of new shares in the funds themselves. It is the managers alone who reap that reward and, because costs do not rise nearly as fast as assets, the rewards have been very large indeed. Mutual funds, it has often been said, are sold rather than bought and, while the study does not delve into selling practices (which is the subject of still another study now underway), its findings confirm that there is a great incentive to increase assets through sales.

What is most embarrassing to the funds is the charge that their shares have done no better than the stock market as a whole or than the shareholders could have done independently without professional advice. The industry has been seeking to convince the investing public, with considerable success, that the mutual funds offer the advantage of having expert management. This, the study contends, is a gross exaggeration; it goes on to observe that the diversification of risk offered by the funds is a much more honest and realistic selling point. The funds are challenging the evidence as "misleading" and "inaccurate," insisting that they have produced superior gains. But on this score the study appears to have been conducted with meticulous care, simply because it was recognised that it would be hitting the funds in their most vulnerable spot.

SPOKESMEN for the industry are not appeased by the finding that the size of mutual funds presents no problems. For the study emphasises that their structure, which has served to promote their rapid growth, has created many potential conflicts of interest. Mutual funds are a hybrid form of financial institution, divided into three parts: one consists of the fund and its management or promoters; another of its investment advisers, who usually charge a fixed fee of one-half of one per cent of the fund's assets; the third is the distributor of shares in the fund, either a broker or a sales organisation working on a commission.

In theory, the three parts are supposed to operate at arm's length, with 40 per cent of the fund's directors being independent. In practice, however, internal control is the rule, with the actual management of all three parts in the hands of the same people. This system, according to the study, works to the detriment of shareholders, who have little or no voice in choosing their advisers and whose rights are not being protected by the independent directors. There has never been a case where the managers of a fund have changed their advisers because of unsatisfactory per-

formances or because they sought the services of a more talented group. Nor have fees ever been lowered except under pressure from shareholders themselves.

But it is doubtful whether the mutual funds could have grown so fast without high commissions on sales of shares in them; these charges are not competitive and bear no relation to the performance of the investment. The fixed fee paid to investment advisers is much harder to justify, for it is payable even if a fund shows a decline in assets and is more than that asked from other types of client. It is probable that funds will fight harder to maintain their sales charges, which average about eight per cent, than to keep the fixed investment fee; high commissions generate high sales. But even in this area the funds will find it difficult to defend contractual plans, which are a form of instalment buying of shares; salesmen get a much higher commission on these than on outright purchases of shares.

As might be expected, the study finds evidence that mutual funds contributed to the rise in share prices and particularly to the fluctuations in individual stocks. On the other hand, they did not use their undoubted power in the market to exert an undue influence on the managements of companies in their portfolios. The study also pays a guarded tribute to the funds in commenting that they have helped to cut the cost of equity capital and have stimulated investment in new ventures. Nevertheless, its conclusions indicate that a slowing down in the growth of funds is definitely called for. It recognises that to transform the industry for the benefit of the shareholders might disrupt it and put a brake on its growth, yet the authors seem to favour such a course as being the only way to extend the mutuality of these funds.

Whether the SEC will follow this course is uncertain. The investigation of mutual funds is merely one phase in its wider look into the securities markets and the SEC will not do much until it has more facts on hand and is able to determine whether the industry will take a more reasonable and constructive attitude than it has to date. The mutual funds are not entirely oblivious to the need for changes. Some have already introduced a sliding scale of fees which decline as assets increase and there is a possibility that the independent directors will begin to play a more active and critical role. It is doubtful, though, whether the industry will initiate any move to alter its traditional trident form. It may be willing to acknowledge that some of the largesse accruing from the rise in assets should be passed on to shareholders in one form or another, but it will resist any attempt to curtail the sales of additional shares since, if fees are reduced, growth will depend even more than it does now on such sales.

Poll Tax—Final Round

CONGRESS has now approved the only piece of civil rights legislation to be expected from the current session. This is the constitutional amendment outlawing the poll tax as a prerequisite of voting in federal elections. This tax was enacted originally by eleven southern states to keep the vote from Negroes, many of whom could not raise the necessary dollar or two. Only five states still have such a law on their statute books and it is generally accepted that the poll tax is on the way out. Even extremist Southerners put up only half-hearted opposition to the measure and that largely for the record. In the view of many, it is a pity that a simple Act was not passed to abolish the tax; this could not, it is thought, have been challenged successfully in the courts. The method chosen, that of constitutional amendment, is really a delaying action, which explains why the measure went through comparatively easily. The amendment must now be ratified by three-quarters of the State Legislatures—38 out of 50—but they have seven years in which to do it. Negro groups, however, with the help of labour and citizens' organisations, will try to speed ratification.

But even if the poll tax were to disappear everywhere right away, this would mean only a limited advance for the civil rights of the southern Negro. In the poll tax states and elsewhere in the south, other, more modern weapons to prevent Negroes from exercising their rights as electors have been forged, such as the Mississippi statutes of last spring. These require—among other things—publication of the name of any applicant for the vote in his local newspaper and the payment by him of the costs of any hearing that results in a successful challenge, which need be based on no more than objection to his "moral character." The federal government has just brought suit against these statutes and against two sections of the State Constitution, to force Mississippi to open its voting booths to Negroes.

This is in line with the vigorous campaign of the Department of Justice, begun under the Eisenhower Administration, against discrimination and intimidation which prevent the registration of Negro voters in the south; this campaign has resulted in the filing of 32 suits under the Civil Rights Act. True, progress is slow—too slow for many Negro leaders. At present some 1.3 million Negroes have their names on electoral rolls in the south; this falls well short of the original target of 3 million by 1960. But headway is being made, with the assistance of the Southern Regional Council's newly-established drive to educate voters, and in the long run the power of the ballot must be on the Negroes' side.

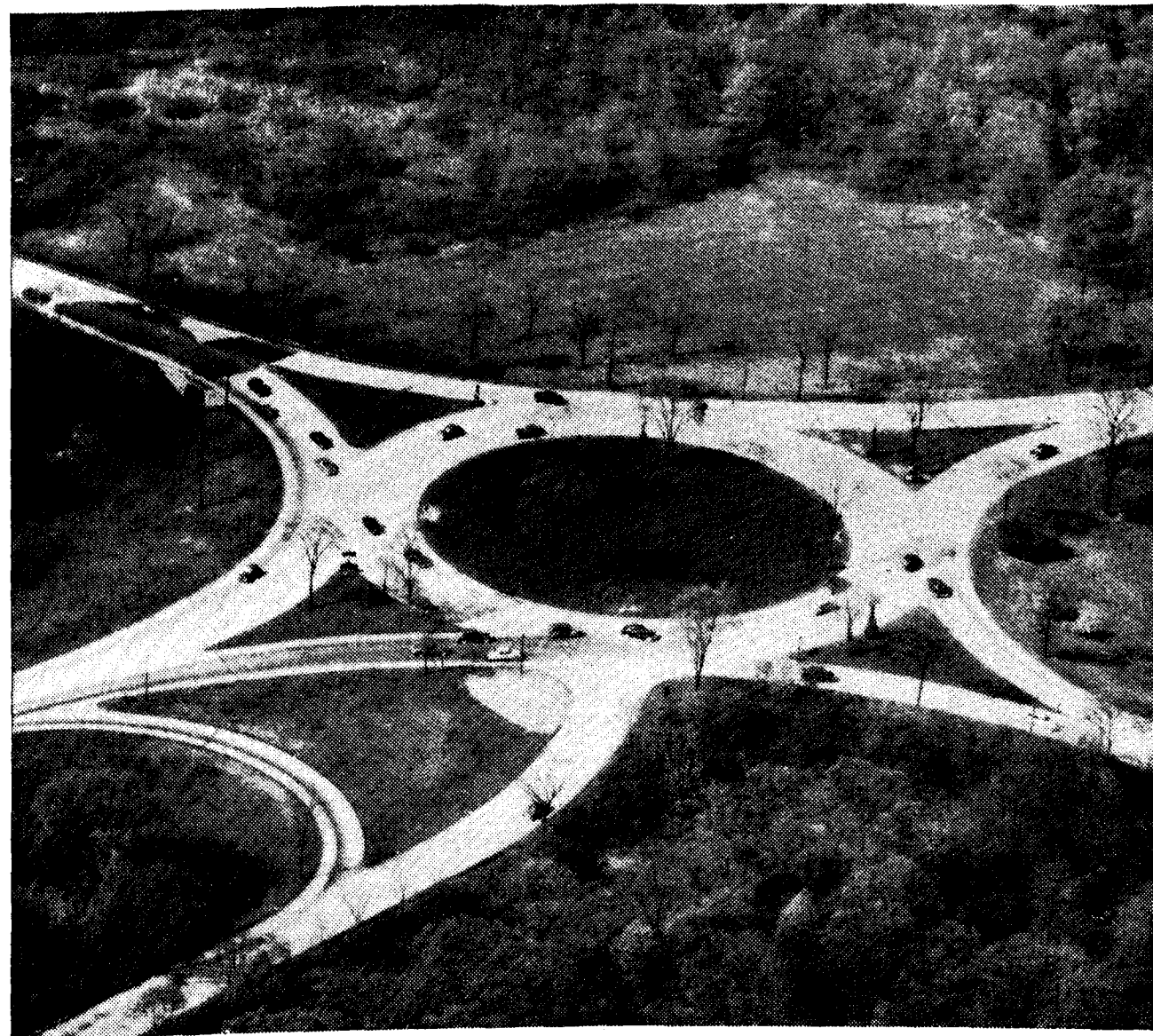
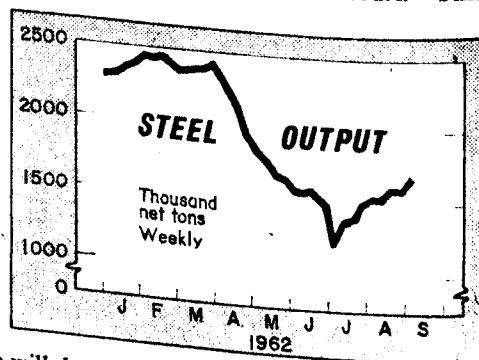
Steel in Trouble

WHETHER or not the steel industry as a whole actually wants a show-down with Congress, four of the leading firms are certainly doing their best to see that it gets one. Last spring Senator Kefauver, long dissatisfied with steel's "monopolistic" pricing policies, lost no time in getting into the Administration's sensational dispute with the companies. He summoned them to provide his anti-trust subcommittee with full details of their costs. After he had arranged that these confidential figures would not be made available to competitors, eight of the companies, including the biggest of all, the United States Steel Corporation, agreed to submit them. But four, led by the Bethlehem Steel Corporation, refused, saying that the only purpose for which these details could be needed was to establish price control and that to demand them was outside the proper scope of any legislative inquiry.

It is doubtful whether this is true and the executives of these companies compounded their defiance by refusing to present themselves before the committee in person to explain their stand, feeling that to do this would jeopardise their legal position. They were in fact challenging the Senate to take them to court. This Senator Kefauver is

very ready to do and his subcommittee recommended that the four companies and nine of their officers be cited for contempt of Congress. The vote, which was on strictly party lines, must be upheld by the full Judiciary Committee

and there the outcome will depend on the attitude of four conservative southern Democrats. Normally they might be expected to side with the industry and against the liberal Mr Kefauver; but they are all strict upholders of the traditional prerogatives of the Senate and are likely to feel affronted at the unprecedented refusal of the steel executives even to appear before the subcommittee. Even if the full committee votes to proceed with the citation, the Senate



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as a whole has to approve it before it is passed to the Department of Justice for implementation. It will be hard to find time for this in the tail-end of the session and if the whole matter lapses the Administration will certainly be relieved; it has no desire to stir up business enmity again just now.

The steel industry itself has other things to worry about. While an increased demand for steel had much to do with the general and encouraging rise in the new orders received by the manufacturers of durable goods in July, there is no buoyancy in the industry. In particular the automobile manufacturers are still trying to reduce their stocks of steel and to keep them low; they have not yet begun to order on the scale which seems to be called for by their plans for the rest of the year. Partly this is because they are changing over to new models rather later than usual. The lateness of this changeover is also one of the reasons why unemployment rose unexpectedly in August.

Cleopatra versus Wall Street

IN a Hollywood beset by difficulties, most of them financial, two schools of thought are contending for supremacy. One, the voice of Wall Street, heavily committed in the business, claims that the film companies are in trouble because they have neglected sound business practices, particularly costing. The other, representing the industry's professionals, berates the accountants for lacking the elementary understanding that to make money it is necessary to spend it. At such leading companies as Columbia Pictures Corporation and Metro-Goldwyn-Mayer, Inc., the issue appears to have been settled in favour of the financial men, at least for the time being. But at another famous studio they have suffered a notable setback: the Twentieth Century-Fox Film Corporation, where the new president, Mr Daryl Zanuck, has just presented his first report, forecasting a net loss of \$25 million in 1962.

Earlier on, in the face of a cumulative loss of some \$66 million in 1958-61, Wall Street interests with large holdings in Twentieth Century-Fox forced Mr Spyros Skouras to resign from the presidency after twenty years; he is now chairman. The purpose was to elect a new president who would carry out their policies. But Mr Zanuck, a former head of the Fox studio and also a substantial shareholder, outmanoeuvred the financiers and was elected to fill the vacant post at the end of July. Thereupon, the Wall Street representatives on the board resigned. Thus they put Mr Zanuck on trial and a severe test it is likely to be.

Some of Fox's recent films have disappointed at the box office, as have those of its competitors. And the company seems to have been slower than the rest of the industry to follow the now favourite policy of concentrating on fewer and bigger pictures and exploiting the opportunities offered by making films for television. Now Mr Zanuck is streamlining operations and laying off hundreds of employees. Production at Fox's Hollywood studios is at an indefinite standstill; three scheduled pictures have been postponed, including *Ulysses*, in which Mr Peter Sellers was to star. Meanwhile, to the company's liabilities must be added the loss, by the death of Marilyn Monroe, of one of its most valuable properties. But if Fox's shortcomings are mainly professional, and it looks as if perhaps they are, then it may not be beyond Mr Zanuck's capacity to solve them. The outcome may depend, however, on a factor over which he has no control. Before he became president, Twentieth Century-Fox had committed itself to the making of *Cleopatra*, now complete. The film will provide the supreme test of the spending-to-make-money theory. It cost \$30 million to produce, against an original budget of \$10 million, and will need to take in \$50-60 million merely to break even. If it does so, Mr Zanuck and his supporters may survive as a force in Hollywood. If not, the financiers may become pervasive.

Teddy or Eddie?

PRESIDENT KENNEDY may be holding himself absolutely aloof from the senatorial struggle in his home state of Massachusetts but he cannot avoid being linked closely with it. The attention of the whole country is on it because the President's youngest brother is a candidate for the Democratic nomination and the contest gives substance to the suspicions of nepotism and dynastic ambitions which the President's enemies have been sowing ever since he took office. These suspicions are being played upon by Mr Edward (Teddy) Kennedy's opponent, Mr Edward (Eddie) McCormack, himself a member of a family almost as powerful as the Kennedys in Massachusetts and a nephew of the present Speaker of the House of Representatives. Young Mr McCormack has practical knowledge of both politics and administration in the state and he is pressing his advantages ruthlessly, as he needs to do if he is to win the nomination on September 18th. Mr Edward Kennedy has the backing of the party organisation and this counts for more in the polling booths than does the support which Mr McCormack is receiving from Harvard intellectuals; even those who have not come out for him openly are wishing that their loyalty to the President was not being strained by his brother's aspirations.

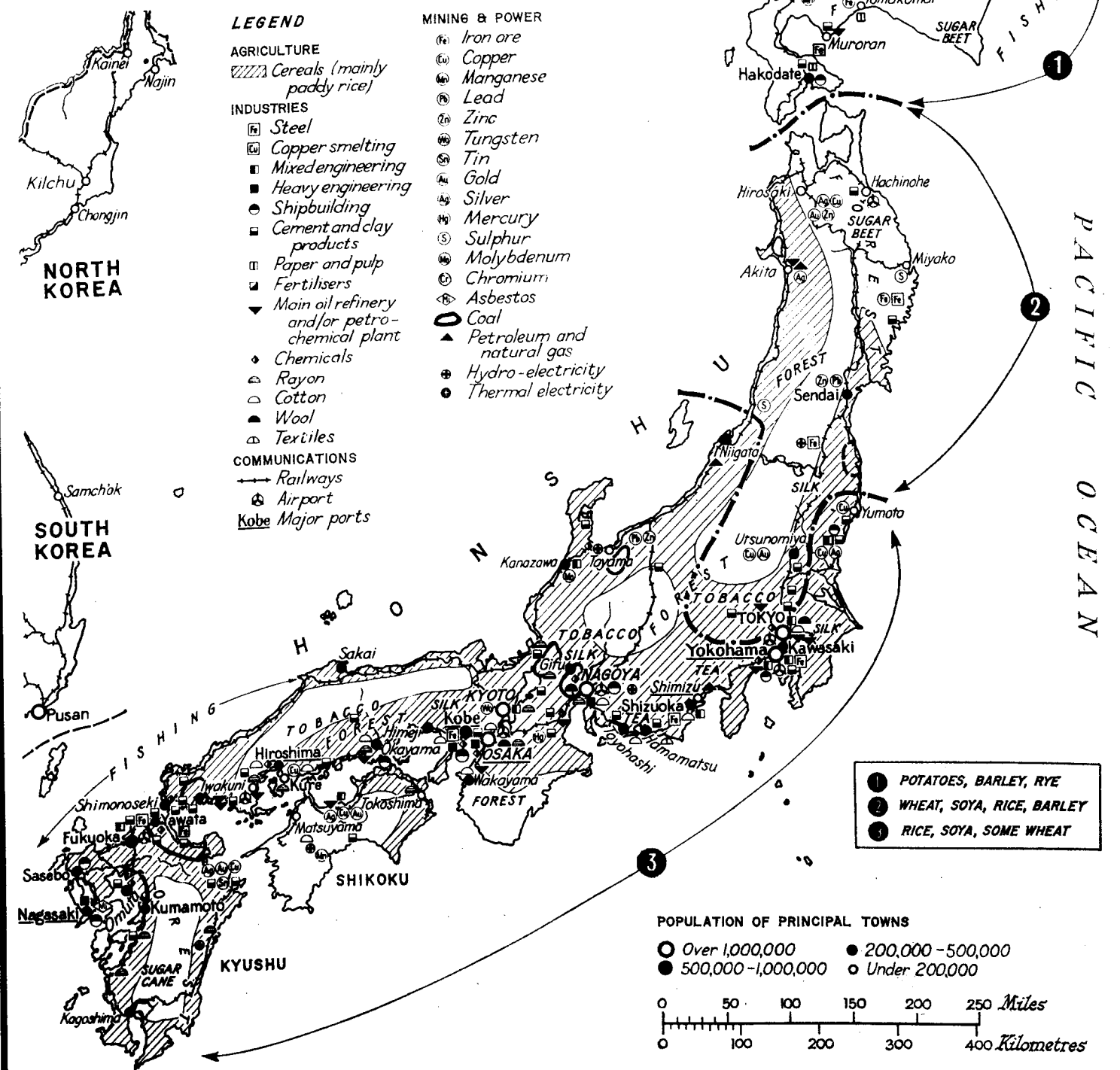
Mr Edward McCormack's somewhat desperate attack on Mr Edward Kennedy came to a peak last week in one of the television debates which are high fashion in this year's election campaign. Shockingly direct, Mr McCormack castigated Mr Kennedy's claim that "he can do more for Massachusetts" as an insult to the President since it implied that he could be influenced by his brother. Indeed, said Mr McCormack, his opponent could not have become a serious candidate if his name had not been Kennedy; he had never had a job, he had no qualifications whatever to represent the Commonwealth of Massachusetts in Washington: "we need a Senator with a conscience—not with connections . . . with experience—not arrogance." But after witnessing Mr Kennedy's restraint under this assault many people felt not only sympathy for his courage and control but also that he might in fact be able to do the job. He kept his temper, refused to reply in kind and concentrated on real political issues; his understanding and grasp of these was up to his brother's standards.

SHORTER NOTES

Last week the Treasury hastily amended its rules on bidding for government securities after the Morgan Guaranty Trust Company, one of the six major banks in New York City and Chicago which make a market in these securities, as well as buying them for investment, bid for one-half of an offering of \$1.3 billion in 13-week bills for its own account. The Treasury reacted to this unaccustomed generosity by granting the bank only one-half of the amount sought and ruling that in future no bidder would be allowed to take up more than one-quarter of any similar offering. The reason given was that, if one purchaser bought heavily, this would reduce the supply of bills for general trading and disrupt the market. Another tendency would be to lower the average yield, which would be counter to the current policy that rates should be kept high, as an inducement to foreign central banks and governments to invest in dollar obligations.

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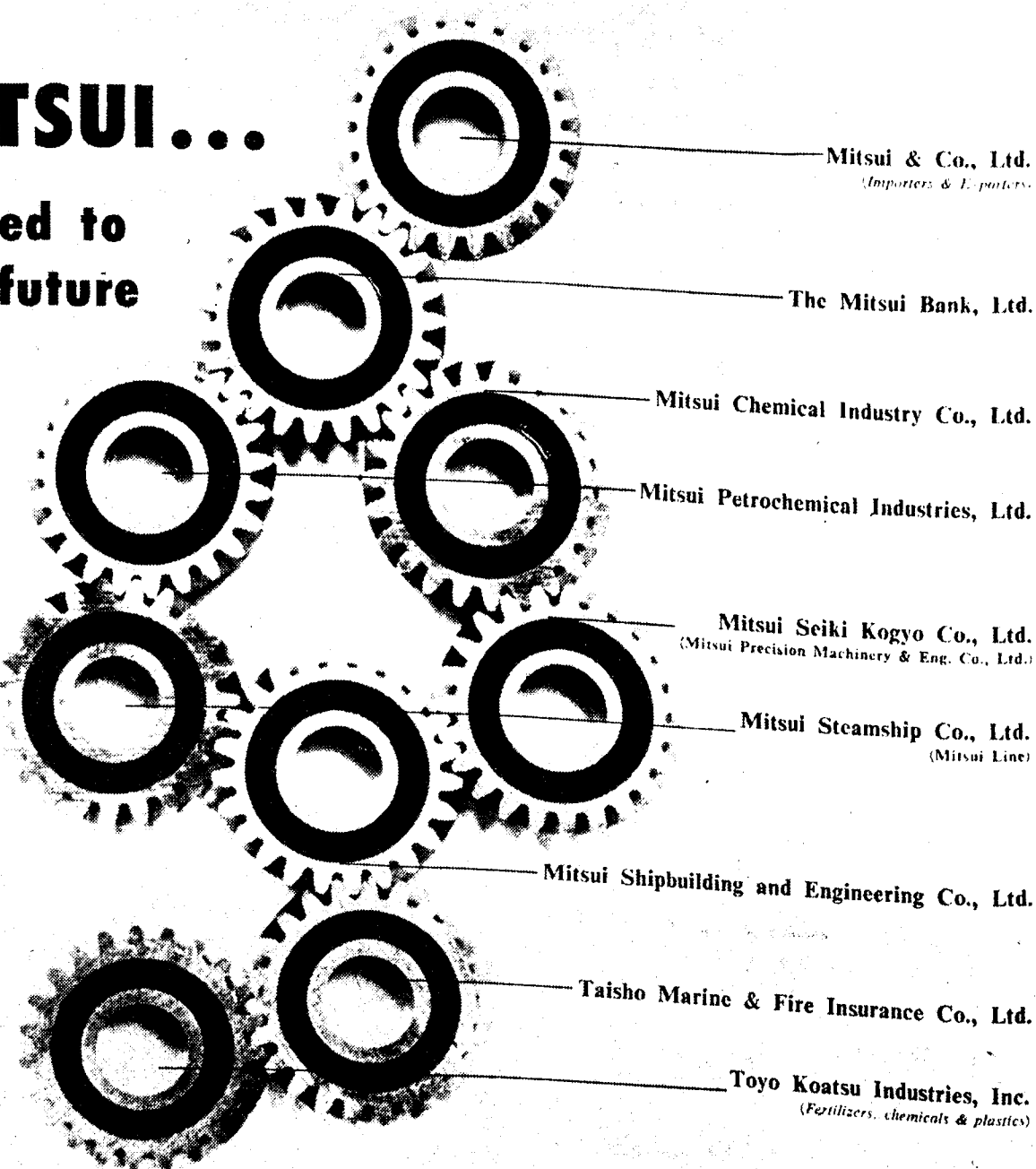
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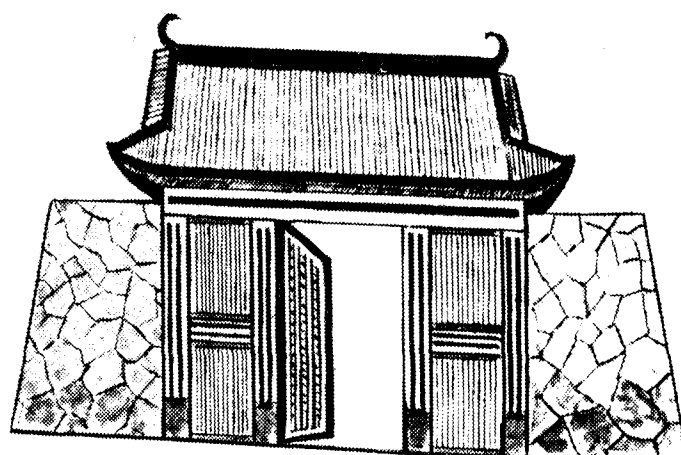
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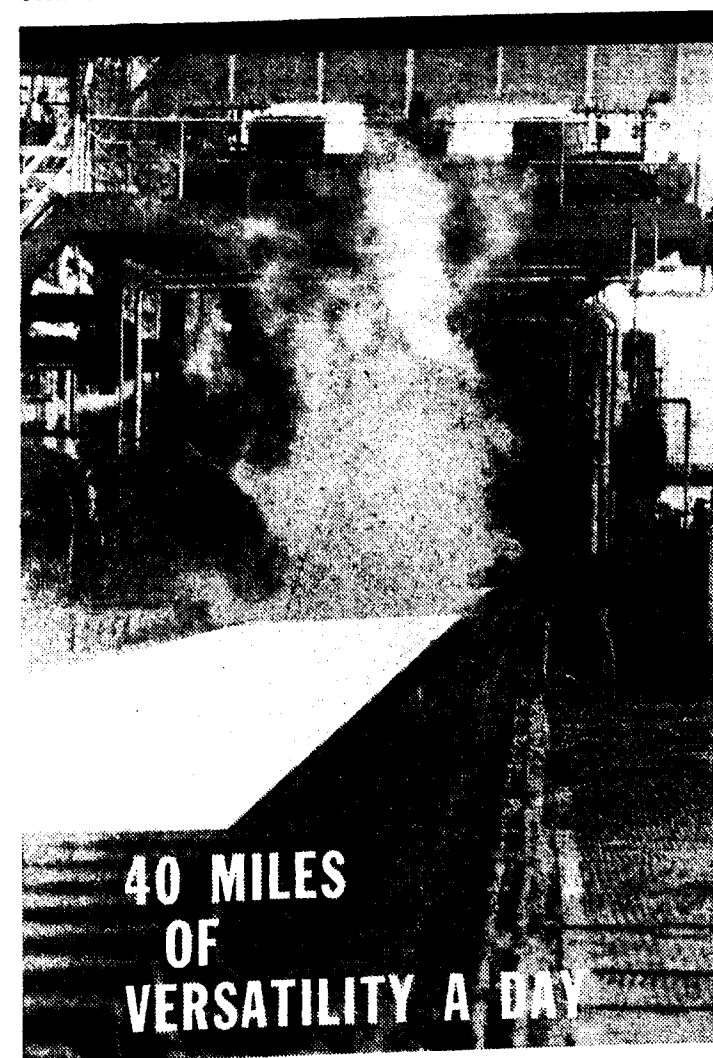
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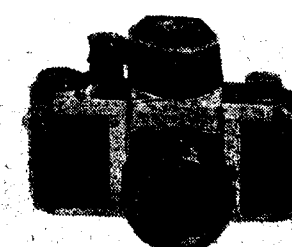
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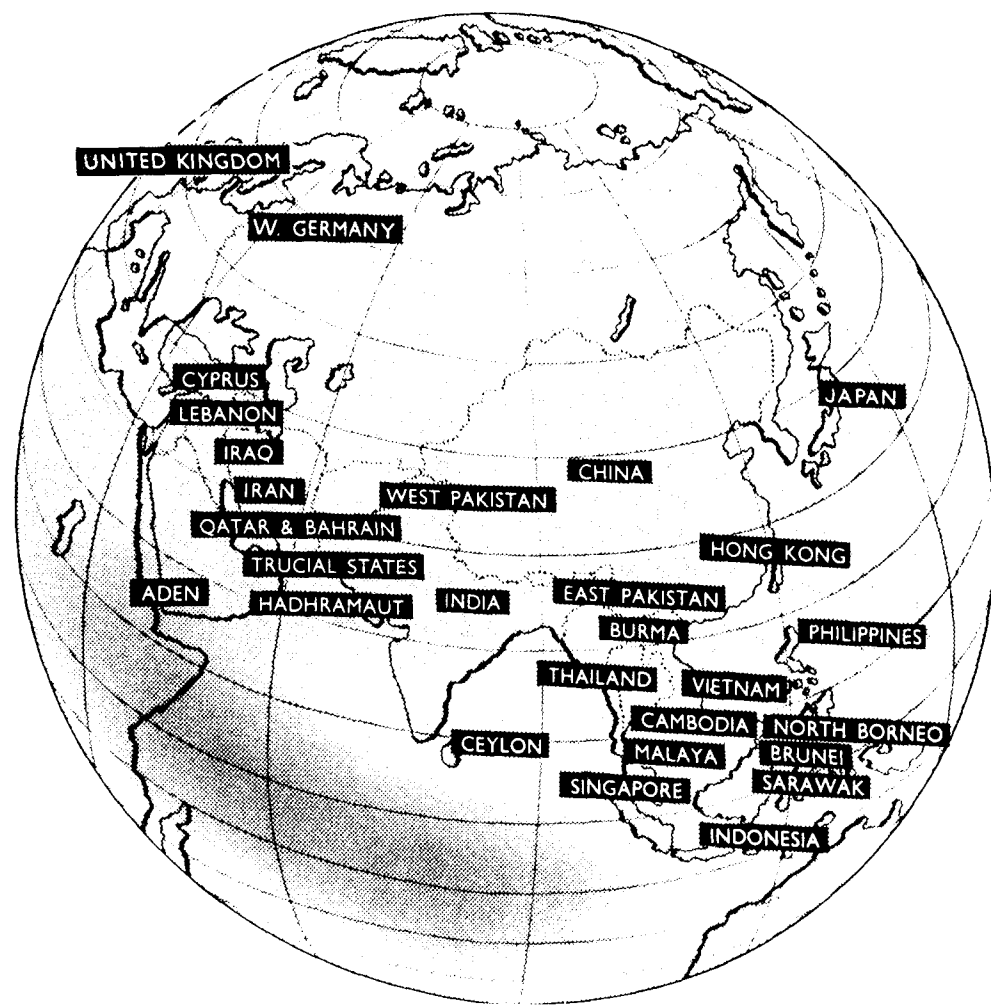
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CONSIDER JAPAN-2

This summer a member of "The Economist's" staff, whose usual job is to write about economic problems in Britain, visited Japan—a country which, in the last decade, has expanded its real income at an average rate of over 9 per cent a year, transformed the whole standard of living of its people, and thereby marked up one of the most astonishing economic success stories of all time. In a survey last week, he discussed the lessons of this Japanese economic miracle which seem to be

applicable to Britain. In the first two articles below he takes up the story of what seem to be the lessons of Japan's experience for underdeveloped countries. A third article discusses some of Japan's trade union and organisational problems, as they appeared to a visiting westerner. Finally, the last two articles below—on Japan's educational system, and its trade and aid relations with South East Asia—are contributed by our normal resident correspondent in the Far East.

Lessons for Developers?

LAST week Japan was discussed here as a model (well, more or less a model) of some aspects of economic policy which should be studied by Britain and other countries of the west. Obviously, however, it must also be regarded as a harbinger of future possibilities for the rest of Asia and Africa. We have here a practical case study in that most over-documented but least satisfactorily solved of all economic problems—how a very poor country can at last start to shake grinding poverty off. For Japan has sprung from near-starvation and utter devastation seventeen years ago (in the month after the end of the war its industrial production was 8 per cent of the prewar average, and even by February, 1946, it was only 16 per cent of it) to a position where today in almost every finished modern product it is one of the half-dozen biggest industrial producers in the world. In shipbuilding and motor bicycles it is the world's largest producer; in bearings, cameras, radio and television sets it ranks second; in machine tools, pharmaceuticals and iron and steel it ranks fourth; even in motor cars it ranks fifth. Did it have any special advantages which enabled it to achieve this astonishing growth, or are most of the lessons of its development ones that other countries of Asia and Africa could and should now learn to imbibe and emulate?

The Inherited Advantages

One's own judgment is that Japan inherited three great advantages from prewar days even into the bleakness of 1945. Two of these will be mentioned here only briefly, for it will be convenient to discuss them in more detail in later articles. The first was that even in 1945 90 per cent of Japanese were literate and had been to school; the further massive extension of education since 1945 is discussed in the fourth article of this survey. The second inherited advantage from the 1930s—unmoral though this may appear—was that Japan's efforts to build up a war production economy in its militarist days

had enabled it to leap over one particular chasm in industrial development which orthodox economies find it very difficult to cross. The third inherited advantage, however, was that even before 1945 Japan's topography had (perhaps accidentally) impelled it into what now seems to have been exactly the right transport system for the early stages of its development.

The main secret was that Japan's long narrow coastal strips had made it natural that all the main industrial activity should cluster round a few main railway lines, which ran along the coast linking one inlet and natural harbour with the next one. Those main railway lines (although not those harbours) are in superb shape today. The branch lines and some of the commuter services—the sort of railway lines that lose money in Britain—are hived off in the hands of small private railway companies. This has proved to be an excellent system, because it has meant that any necessary (or unnecessary) subsidisation of them or their customers has been done fairly directly, instead of indirectly and by expensive stealth; the cossetings of the sort of people whom Dr Beeching in Britain wants to deprive of railways altogether have not tended, in Japan, to be paid for by holding back development of really profitable national investment in the main arteries of the prosperous and busy main railroads.

By contrast, Japan's road network is in an appalling state; but in the early stage of development (as distinct from the stage it has reached now) this did not enormously matter. It is now fairly clear that coastal shipping, initially, and the railroads were a much more economic main form of transport for Japan to have concentrated upon first. They were much cheaper to build up and run in terms both of capital expenditure (even today surveys show that a new railroad line from Tokyo to Osaka would cost much less to build than a modern high speed highway) and of foreign exchange (using first native coal and then hydroelectricity, instead of imported petrol). These latter advantages of railway construction over roads would not be repeated in every developing country.

but the main lesson—that it is better in the early stages of industrialisation to concentrate on building up industrial complexes around one or two main arteries of communication, rather than trying to spread industrial prosperity “fairly” into every scattered region of the land—almost certainly is of universal application. The “railway basis” of Japan’s development was an important factor in bringing about the present regional location pattern of Japanese industry, which all the sociologists will say has led to an undesirable and ugly sprouting of huge conurbations, but which in terms of economic efficiency (in a country still poor enough for every penny’s worth of efficiency to matter) has during this development stage probably been very near to just right.

The Americans’ Legacies

Japan also gained at least three great, if sometimes cruel, advantages from the American occupation of 1945-52. One was the land reform, which amounted in the end to virtually full-scale expropriation of many of the old landlords; they were paid compensation in paper money during the immediate postwar inflation, and (as each pound in 1945 was worth about a penny by 1948) that paper money soon lost all of its value. The peasants were thereby relieved of the burden of debt, and given greater incentives to cultivate every square yard of their holdings, just when the postwar food shortage (and the postwar black market) made crops from these holdings very profitable indeed. It is often said that a developing country can progress only if a period of relatively greater prosperity for the peasants in some way marches on in advance of a period of greater prosperity for the industrial classes; in postwar Japan that is precisely what happened, although the period when peasants were leading the advance was very short indeed. The expropriation of the old landlords also had important social effects. No doubt in deeply rural Japan some appalling habits of feudalism still exist, but *vis-à-vis* industry at any rate, the power of the country gentlemen in the growth districts to hold up productive progress is now probably smaller than in Britain; if it was regarded as profitable to sink a chalkpit in Japan’s equivalent of Essex, this would not nowadays be so likely to be held up because it was deemed to spoil some local squire’s view. It has been said that the Japanese have a great sense of beauty but no awareness of ugliness, while the British are exactly the other way round; not to have an awareness of ugliness is a great economic advantage during a period of industrial advance.

But while Japan gained something, paradoxically, from the cruelties of the postwar inflation (by 1948 prices were 250 times higher than prewar)—because it broke up some part of the old restrictive social order—the country also gained immeasurably from the fact that in 1949 this inflation was brought suddenly to a stop. This was the Americans’ second boon to Japan, and great credit for it must go to the generally much-criticised Mr Dodge. By late 1949, thanks to the spasm of stern policies that he introduced, money had come to mean something again; the earning of it had become everybody’s aim. Moreover an important part of Japan’s dynamic was provided by the fact that there were then entrepreneurs up and down the country who were left holding little bits of apparently meaningless paper shares and entitlements to urban land which were soon to become worth many times their real 1949 value—provided the land and other assets were produc-

THE ECONOMIST SEPTEMBER 8, 1962

tively used—as prosperity started to boom again. The entrepreneur class was jostling at the starting gate for the great advance.

What Mr Dodge and his fellow experts did not realise—and what indeed no other economists in the world would have realised at that time—was that the spasm of deflation in 1949 should be short-lived. It is now clear that almost immediately after hyper-inflation had been stopped, albeit at a relatively low level of output, it would have been the right policy to swing the tiller right over and start reflation demand again. Fortunately for Japan this swing of the tiller, which the economic experts would have resisted, was almost immediately provided by the outbreak of the Korean war in June, 1950—and the huge orders for supply and behind-the-front soldiers’ requirements, all paid for in foreign exchange, which then flooded in upon Japan. This was the third great boon to the country from the period of American occupation. Later the Japanese were to have another stroke of luck from an international misfortune, at a critical time, when the Suez incident in late 1956 temporarily gave it a great advantage over the west in the markets of Asia.

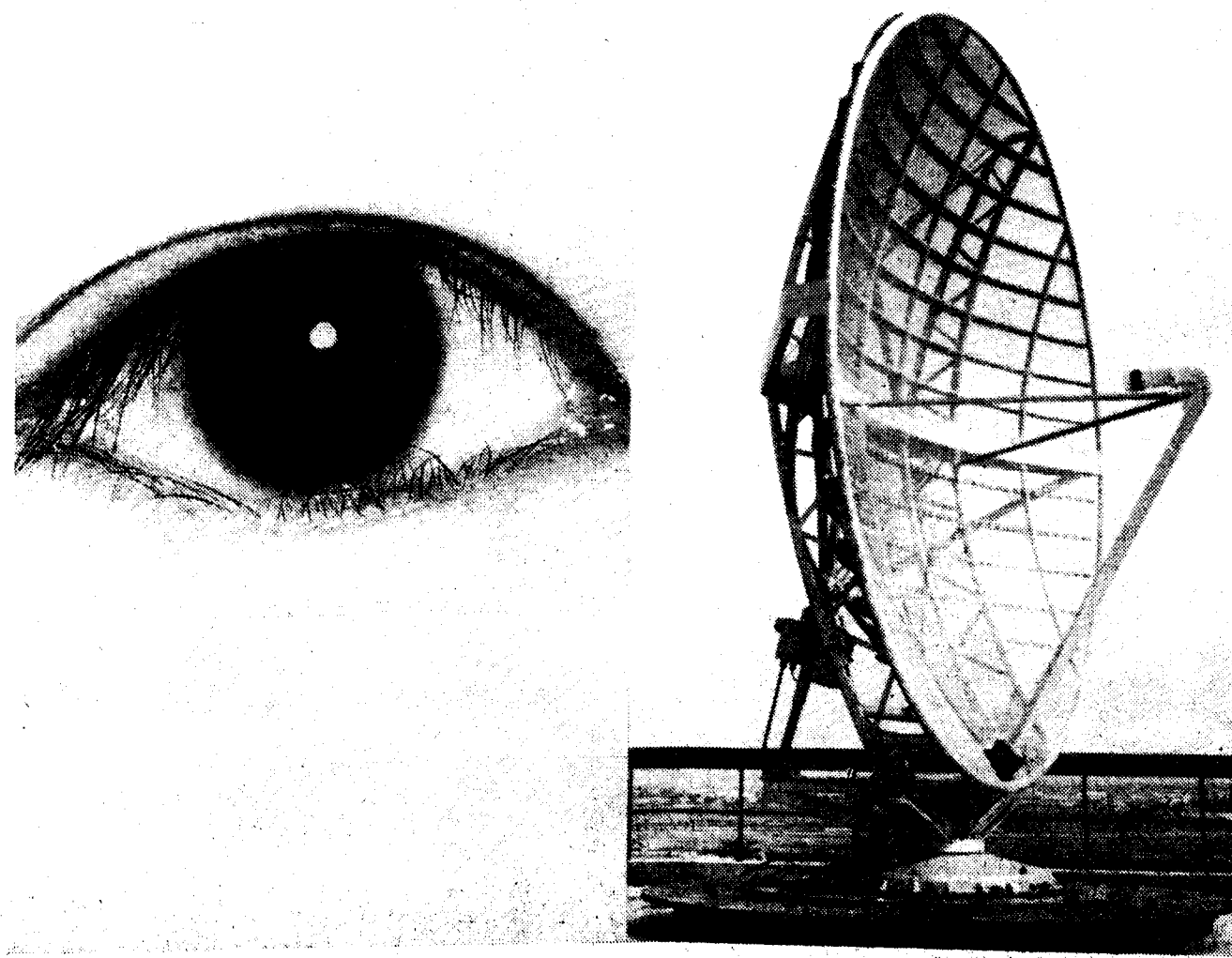
It is awfully difficult to turn the experience recounted in these last few paragraphs into a moral for the development of other countries. One cannot very well say that developing countries would be wise to leap willingly into a 25,000 per cent inflation of prices, merely to reap peculiar sociological advantages—in the switch of power and incentive from old rentiers to new entrepreneurs—when the price inflation has been stopped and demand reflation has immediately thereafter been restarted again. But the lesson of that part of the Japanese recovery which was sparked off by the Korean procurement boom is worth study. Anybody who examines the record in Japan from 1947-50 and then that after 1950 must have grave doubts about the efficacy of the sort of (admittedly very generous) aid policy carried out by the Americans in Japan just before the Korean war started. Instead of pumping in foreign-directed support funds, foreign-directed technical aid, and foreign technicians to tell indigenous governments how they should spend it, the right policy seems to be to concentrate on spotting what in each developing country is the moment of burgeoning dynamic; and then to pump into that country large orders for that country’s goods. Preferably the orders should be for goods of a fairly advanced sort which can help to lay the foundations of the modern industries (including service industries) which the developing country will need later as its own people grows richer. This is what the Korean procurement boom did in Japan.

Goodness knows how such a policy could be implemented on a worldwide scale. It would be an immensely difficult diplomatic task to agree on exactly when the moment of burgeoning dynamic in any country had arrived; and the associated idea that the west should be quixotically free-trade-minded towards imports from cheap labour countries that are just on the point of becoming manufacturing competitors would give vested interests in each western country the screaming willies. But the need to move towards some such system of “aid through trade,” rather than concentrating solely on the less effective “development fund” sort of aid, may well be one of the most important emerging economic ideas during the second half of this twentieth century. Moreover the point

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is that often the manufactured goods which new developing countries have available to sell will initially be uneconomically high cost ones; quite possibly, in a perfect world, developing countries should be allowed by Gatt to subsidise their manufactured exports at this early stage (although this certainly should not apply at the stage of development which Japan itself has reached now).

The Disadvantages that Disappeared

Japan's golden decade and a half of development, therefore, has owed quite a lot to good luck as well as to good management. The surprising thing is that, only a short while ago, all the prophets were saying that Japan was almost bound to be one of the unluckiest countries in the world. Its traditional disadvantages—which at one time sad-faced economists (as well as hard-faced military imperialists) prophesied would condemn an island-bound Japan to perpetual poverty—were supposed to be that it was (a) grossly overpopulated, (b) desperately short of cultivable land, and (c) extremely poor in natural resources.

What has happened to these neo-Malthusian prophecies of doom? The answer is that each of them has proved to be based on completely mistaken premises; indeed in some ways these traditional disadvantages have been actual boons to Japan.

The argument that overpopulation would be Japan's undoing rested partly on the belief that while the advance of medical science would enable infant mortality to be cut and old people to live longer (as it has done), the slightest rise in living standards would also simultaneously send the birth rate up. Unexpectedly, however, the birth rate in Japan has suddenly slowed down in these last few years to or below European levels (17 per 1,000 compared with over 34 per 1,000 in 1947). This has not been solely, or even mainly, due to the much publicised fact that any Japanese woman who can get a doctor to sign a certificate, grantable on very wide grounds, can have a legalised abortion. The major discovery seems to be that there may be a natural cut off point for birth rate increases at a particularly important stage along the path where a developing country starts to grow richer: namely at the stage where ordinary people just become well enough off to buy contraceptives.

The result of this sudden change to a much lower birth rate has been very beneficial to Japan. It has meant that the country has had fewer babies to feed, but a bulge of young workers coming forward on to a labour market which is crying out for new labour to serve in Japan's developing industries. This bulge of teenagers has helped to keep the supply price of labour lower, and thus the margin of profit higher, than it otherwise would have been. This may not seem socially desirable, but economically it has been an important factor in keeping up the huge proportion of gross national product which Japan has devoted to investment in the first stage of its development boom.

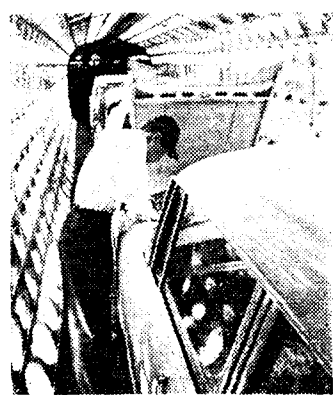
Japan's shortage of land and raw material resources has meant that in agriculture and the extractive industries the country has been at a relative disadvantage compared with other countries. This has made it logical for it to concentrate on making and exporting the products of secondary industry, in order to be able to buy its raw materials and some of its

food from abroad. This has been very fortunate for it because in the postwar years the terms of trade (i.e. the trend of relative prices) has moved in favour of exporters of manufactured goods and against agricultural and other primary producers.

THE terms of trade have moved against agriculture because governments all over the world have kept too many farmers on the land by politically motivated policies of agricultural protection. Japan has itself made some errors in this respect. Some foreign observers in Tokyo told your correspondent that "Japan's greatest achievement is that it has made itself self-sufficient in rice"; but in fact this has surely been one of its most obvious errors. Its policy of agricultural support has been concentrated on encouraging an expanded cultivation of rice and wheat, just when the Japanese public are starting to eat less of these old staples and move over towards eating more meat and dairy products instead. It would be logical for Japan to buy more of its rice from other Asian countries, particularly if it wants these countries to open their doors to more exports of Japanese manufactured goods. Possibly providentially, however, Japan's upsurge of consumption of meat and dairy products is coming at a time when (because of its past rice-eating habits) it has not itself got an army of dairy farmers to over-protect—and also at a time when its neighbours of Australia and New Zealand (a mere 3,000 miles away) are anxiously looking for markets for their farmers because of Britain's negotiations with Europe. Logically there should be scope for a major increase in trade here, provided the Australasians are wise enough to open their markets even wider to Japan's industrial goods. It would be a great economic advantage for Japan if it could now take over some of Britain's past role as the dumping ground of cheap food surpluses from the most efficient (or the most subsidised) agricultural producers from all over the world.

The turn of the terms of trade against raw material producers has been largely due to technological advance (the fact that raw materials make up a smaller part of the total cost of really modern manufactured products, and the spread of synthetic substitutes). In addition, shipping freight charges, which have always played a big part in the cost of importing raw materials in bulk, have gone down (once again partly because governments, for political reasons, have striven to keep too many shipping services in being). As in agriculture, so also in raw materials Japan made some early postwar mistakes in attempted autarky; for some years after the war it spent vast sums inducing its industries to use Japanese coal, which is of very poor combustible quality and mined hideously and expensively far from the pitheads, instead of switching to more modern and efficient forms of energy (like imported oil). But the government has altered the emphasis of this policy in recent years, albeit at the cost of violent strife and strikes in the coal mining areas; Japan's planners now appear to recognise that coal mining is one of the primary industries that should be run down pretty ruthlessly as resources switch more and more into manufacturing industry.

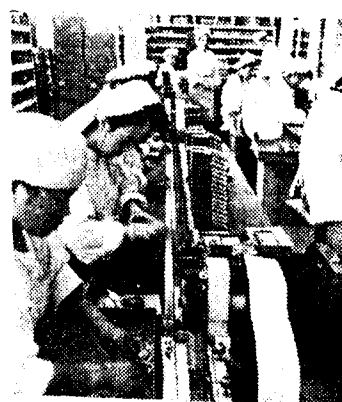
The next question, however, which is vital for Asia, is: which manufacturing and other secondary industries does Japan's experience suggest are the most profitable ones for a developing country to concentrate upon first? To this question the next article will turn.



The Front Runners

Japan's most astonishing achievement in the past decade is that it has broken through into ultra-modern levels of labour productivity in a whole new range of industries. Which are they, and why?

THE ECONOMIST SEPTEMBER 8, 1962



JAPAN'S industries today can be divided into four groups. First, there are those in which its own planners recognise that Japan is not internationally competitive, and presumably never will be. Among these industries where Japan is "uncompetitive by reason of unfavourable natural resources and social conditions," Japan's Economic Survey for 1959-60 specifically mentioned coal, non-ferrous metals, paper, pulp, soda and most agricultural products; in other words most of its primary industries now belong to this "throwaway" group. It is now fairly generally recognised in Japan that the more swiftly resources move out of these industries into other fields, the better.

The second group comprises what may be called Japan's "early stage industrialisation" industries. These, too, are industries which should now gradually decline—although naturally not all the industrialists concerned recognise this. The most obvious items in this "early" list are cotton textiles, the manufacture of sewing machines, bicycles, leather goods, pottery, rubber goods, and (admittedly in a different category as regards potential domestic growth) cement. Many of these goods—to which may be added the special but structurally not dissimilar industries of silk and cultured pearls—formed the main staples of Japan's competitive export trade in the 1930s. In all of them Japan's competitive position is still high; in nearly all, including textiles and cement, its productivity per man month (let alone per wage unit paid) is today higher than most other countries, including Britain's. But nearly all are also industries in which Japan does not expect its productivity per man month to increase very much in future. In most it feels that its limits of technical innovation may pretty well have been reached; in many it feels that its competitive position may in future decline, for two reasons.

ONE of these reasons is that other underdeveloped countries seem likely to enter many of these fields. Most of the products mentioned above are labour-intensive rather than capital-intensive; many are manufacturable in, or partly in, pretty small scale workshops; many are therefore on the list of industries which other Afro-Asian (and West Indian and South American) countries are already setting up. The second reason why Japan might not be sorry to see some of its own productive resources move out of these "early stage industrialisation" industries, however, is that, quite apart from the threat of international overcrowding, the prospects for a voracious increase in world demand for most of these products frankly do not seem very glowing.

Nearly all of them have new competitors appearing over

the horizon. Natural textiles are losing some of their markets to synthetic textiles; pedal bicycles lose ground to motor (or motor-assisted) transport; sewing machines suffer from the worldwide switch (which Japan itself is now experiencing in full flood) from the small village dressmaker to ready-made clothing; plastics bite into some of the markets for rubber goods, leather goods and pottery. This is very awkward for the newly developing countries. The list of labour-intensive "early stage industrialisation" goods is narrow enough in all conscience. But if, in addition to being limited in number, the "early stage industrialisation" industries look like losing ground before new-style competitors that require heavier capital investment, the problem becomes knottier still.

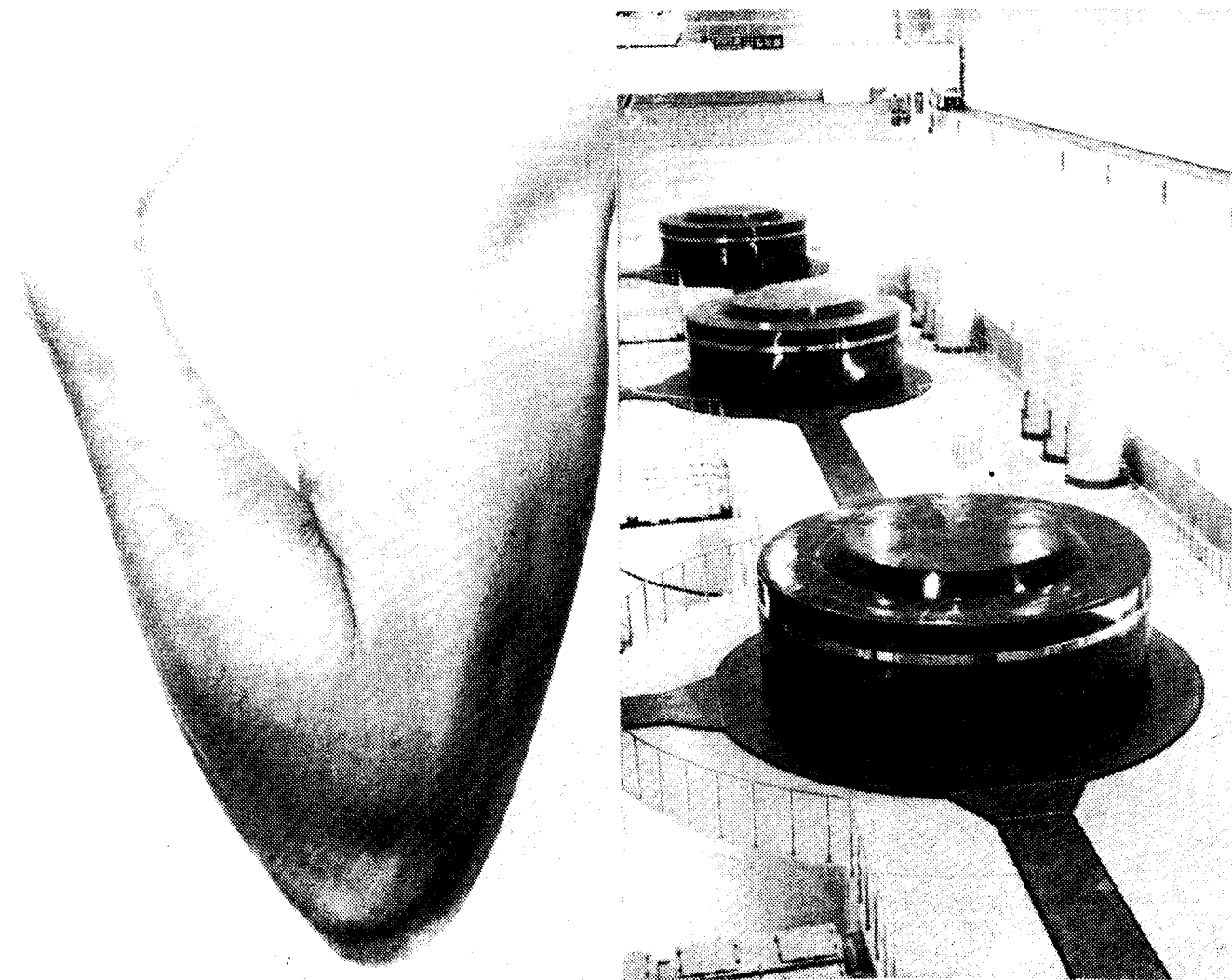
THAT is why special interest must be attached to Japan's most astonishing achievement in the decade of the 1950s: the fact that it has broken through into ultra-modern levels of labour productivity no longer just in labour-intensive "early stage industrialisation" industries, but in a whole range of what might be called "second stage industrialisation" or capital-intensive industries as well. The list of capital intensive industries in which it has made this breakthrough is wide, although also specific. By 1959-60 Japan's statisticians could justly claim that Japan's productivity per man month broadly equalled (and indeed sometimes exceeded) west European averages in the manufacture of iron and steel (other than special steels, like those for high grade tools); in building ships, in making lorries and buses (but not yet in making passenger cars); in making television sets and radios (especially, of course, what might be called consumer-style transistors, but interestingly not yet in high grade transistors or other electronic parts for computers); in railway rolling stock and tractors; cameras and optical instruments; in small scale construction machinery (but not yet large scale construction machinery). What is the distinguishing factor between the industries in which this "second stage breakthrough" has been made, and those (like passenger cars and some high grade precision tools) where Japan still lags relatively behind?

The answer is pretty clear when one thinks about it; unfortunately it is also, at first sight, more than a little unmoral. The common base for most of these "second stage" breakthrough industries was laid in the long period in the 1930s and early 1940s when virtually the whole of Japan's industrial effort (and thus a very large part of its very low national income) was devoted to building up or serving its capacity for war. That is when Japan laid its foundation of

THE ECONOMIST SEPTEMBER 8, 1962

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Toshiba Technology Harnesses Nature's Resources

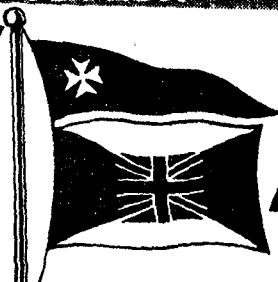


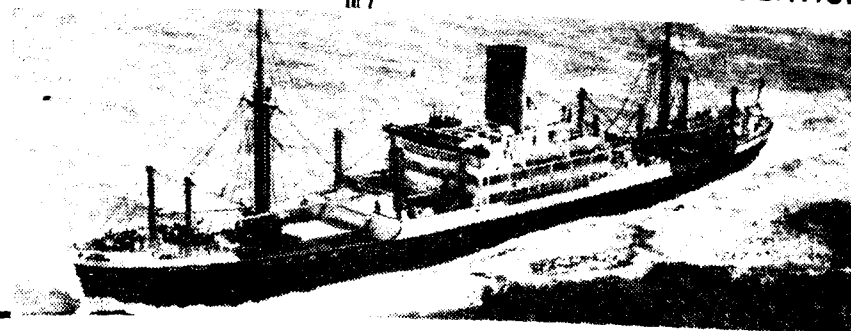
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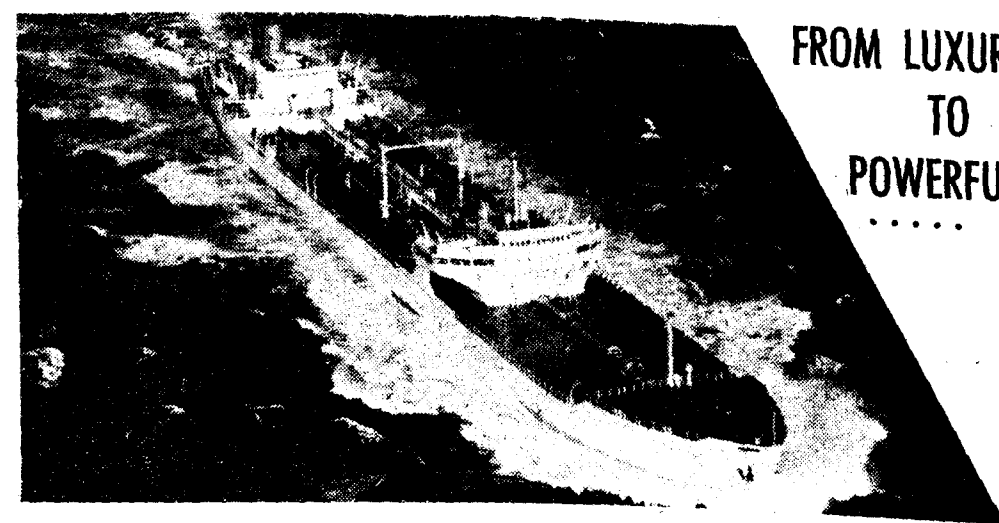
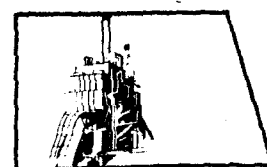
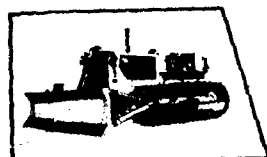


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technical knowhow, of rough (but initially pretty costly) experience, of trial and initially considerable error, in the making of lorries (but not passenger cars), of ships, tractors, rolling stock, small scale construction machinery (i.e., portable engineering corps stuff), and behind them mass production of iron and steel. Many of the small firms who are engaged today in making parts for transistor radios were originally engaged in making parts for range finders and other optical instruments demanded by the military authorities. The same is true of parts of the camera industry. Indeed it is interesting, looking through the list of these ploughshares made by yesterday's sword manufacturers, to note the similarities of parts of the industrial structure of modern Germany and modern Japan.

This unmoral story does not mean that war *per se*, is an excellent forcing ground for all the most economic and profitable sorts of industrial development. But two of the commonest features of a war-orientated economy probably are a great help in fostering a breakthrough into what we have called "second stage industrialisation."

The first of these is the ruthless drive made in a war economy to get production moving ahead in a number of industries which usually belong to the more modern part of a developing nation's industrial structure.

The second is that a drive for war production tends to concentrate more on volume of output than on fussing about achievement of very high grades of quality of craftsmanship; certainly if a firm makes a botch of one pioneering line of output it does not go bankrupt as a result, but is enabled to push on instead with a Mark 2 model. In the initial stages, at least, the war industries' sole and voracious customer does not worry over-much if costs per unit of output are considerably higher than equivalent costs abroad. Although there were inevitable exceptions, a lot of Japan's equipment during the Pacific war was frankly well below western standards in terms of both quality and man-hour production costs; but instead of being beaten on the open market places of the world (in which case the firms making it would have had to draw in their horns much earlier), it was beaten in much lengthier and bitterer competition in Leyte Gulf, on the jungle trails of New Guinea, and along the Tiddim road. By that time, deep below the surface, the economic infrastructure for new industries had been laid. And the fact that, in these postwar years, Japan has devoted only 2 or 3 per cent of its national income to defence—compared with 10 per cent or so in other big industrial countries—has enabled it to direct the energies of these industries into booming production for the domestic and export markets.

Clearly, this analysis has now reached a very awkward point indeed. One's guess is that the other underdeveloped countries may move fairly quickly into the stage where they can efficiently operate "early stage industrialisation" industries—where they can become economic and capable manufacturers of textiles, sports goods and so on. But, once there, they are unlikely to find a rapidly expanding market for their products; and the narrow range of these industries may present some very awkward problems. If nearly the whole initial weight of poor countries' industrialisation is to fall on a limited number of relatively hard-up industries of this sort, established interests in these industries in western countries are going to object to being "utterly swamped"; and, foolish

though this may be, are going to persuade western governments to close their markets by import restrictions.

Higher up the scale, one's guess is that Japan itself should find it relatively easy to move from its present "second stage" industries into the "third stage" advanced industries in which it is still a rather high cost producer. One cannot be sure of this. It is a bit surprising that a country, which can already produce lorries so efficiently, is still finding it so difficult to bring its costs of motor car production down; that, although it can now build factories and office blocks more quickly and probably more cheaply than the west, tenders for building new western style houses (e.g. for foreign residents in Japan) still tend to be three or four times as high as they would be in England; and that Japan's few new and modern motor roads look like being so expensive to build. The arguments put forward by Japanese contractors are that "in these things we find ourselves working in media which are foreign to us."

This comes back to the problem of the country's industrial foundations again. One phrase sometimes used in Japan is that while most of Japan's new and successful industries of the last decade were "built from the lower echelons upward" (i.e. the small sub-contracting firms making parts for transistor radios had some background of know-how from making radio or other components in the war), the automobile and other less successful industries have had to build "from the higher echelons down" (i.e., the manufacturers of passenger motor cars had to put out orders for components which the small sub-contracting firms were quite unused to making). Clearly, there is a real gap to be bridged here. But your correspondent's own guess is that in the next few years one or other of Japan's manufacturers of automobiles will break through, perhaps after amalgamations between the different producers, into successfully starting mass production of some standard small size passenger car with Volkswagen-like efficiency.

CERTAINLY, the stride into this "third stage" industrialisation looks like being much easier and shorter than the leap which Japan has already taken into "second stage" industrialisation, apparently during the last decade but in reality (probably) as a post-dated result of its course during past and painful years. The real question therefore remains: how can other developing countries start to prepare themselves for that leap? Apart from Britain, which had the advantage of being first in the field and so had no real competitors, it is arguable that virtually every other country in fact crossed this particular chasm in the first place thanks partly to the accident of running or preparing for a war economy. Even in America, the early industrial structure of the northern United States owed at least some of its initial impetus to the drive for equipping the Union armies in the civil war; in Canada some of the main seeds of industrialisation were planted during the second world war; in western Europe and Russia the part played by war economies has been obvious; nobody else apart from these has really crossed the chasm as yet.

One of the needs in the next few decades will be to consider how international trading policies, international development policies, international aid policies and international subsidy policies can be worked out so as to provide a better godfather than Mars to the infant of development. Not nearly enough thought has been devoted to this subject as yet.

Unions, Management, Competition

Industrial relations and managerial efficiency (in some respects, inefficiency) in Japan contain some surprises for the visiting westerner. And Japan's attitude towards price competition is very different from what Lancashire imagines it to be

So far these surveys have seemed to be quite largely concerned with eulogies of the efficiency of Japan's economy. What of the criticisms to be made? As so often with Japan, one finds oneself at this stage plunged into a discussion of paradoxes. The usual left wing critic's picture of Japan is that of a country where feudal employers beat trade unions into the ground in a ruthless search for labour economies and productive efficiency; but in point of fact an extreme wastefulness in the use of labour, both on the factory floor and at the junior executive desk, is one of Japanese industry's most glaring failings. The usual right wing picture of Japan is as a nation bent on cut-throat competition (particularly, say its rivals crossly and as if this were an unfair action, "in matters of price"); but in fact a social atmosphere which frowns on price competition is one of Japan's worst international handicaps.

The story of the foundation of postwar trade unionism in Japan is one that would be best fitted for a novel by Mr Evelyn Waugh. Between the end of the war and the end of 1946 the number of Japanese trade unionists rose from nought to five million, because the American occupation authorities (this branch of the occupation administration was very largely filled with reforming New Dealers) had proclaimed that voluntary joining of a trade union was the good democratic thing for everybody to do. In some cases it is said, even the manager joined the union—and was respectfully elected to head the shop floor organisation which was supposed to bargain with himself. But in many more cases, as Professor G. C. Allen pointed out in his excellent book on "Japan's Economy Recovery,"* the right man to put in charge of a trade union organisation was deemed to be somebody who had been imprisoned by the Tojo and earlier regimes. This was often an ex-student zealot with pronounced syndicalist views, and with ideas on organisation which he had read up almost solely out of books. The temporary and meteoric rise of these men—who were often near communists of a dottily disorganised kind—went much further than most people in the west realise. In the first two years of utter demoralisation of Japanese industry after the war the left wing trade unions actually seized control over several plants, and quite often became responsible for the employment, dismissal and discipline of the workers. By early 1947 the trade unions were reading up in foreign textbooks how to call a general strike; and the American occupation authorities, horrified at the rather dreamy monster which they had conjured up, began to clamp down.

This has set the pattern for one part of the trade union movement ever since. Even today the main national trade union organisation Sohyo (1960 slogan: "To hell with the US Security Pact and Fatter Share of Improved Productivity

for Labour") is decidedly to the left of, say, Mr Cousins in its political views. It has learned from, and formalised, British practice in trying to secure an annual wage rise for its members; each spring it marches into battle against the Japanese employers' federation by proclaiming an annual offensive of strikes. Unfortunately for Sohyo, although there is a real degree of trade union militancy in some branches of government service and in a few industries such as coalmining, workers in the big and prosperous manufacturing industries are singularly unwilling to follow its lead. In these industries the so-called "company unions" are the main forms of organisation; the national bodies that exist are loose federations of unions which are themselves limited to workers in particular firms.

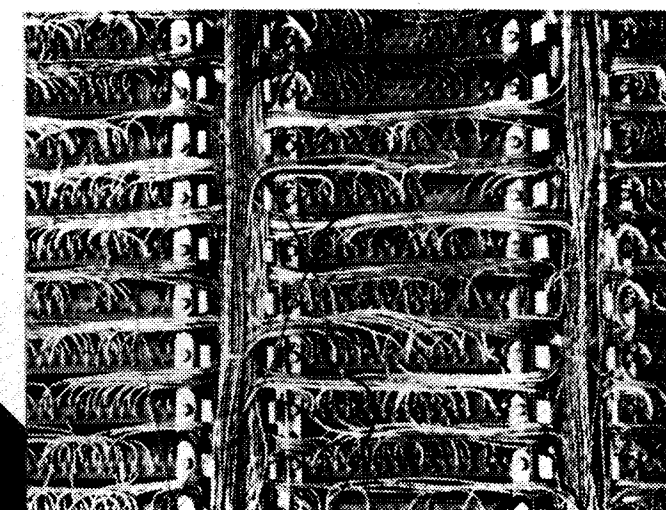
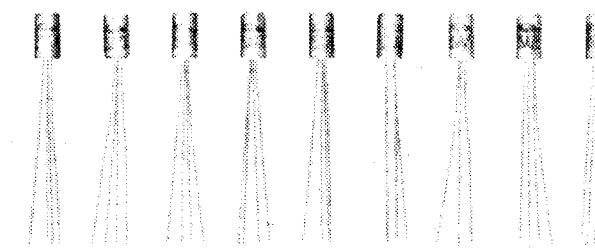
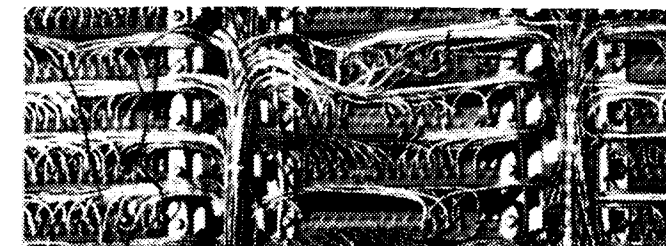
Western trade unionists tend to regard these company unions as the managements' tame poodles. This is an underestimate of at least many of them. They play a real (and sometimes damaging) part in seeing that firms engage most of their workers as "regular" workers (i.e., workers they can practically never sack) instead of as "temporary" employees; and many of them negotiate seriously and hard about the size of the Christmas bonus and family allowances and other fringe benefits. A typical tactic of these enterprise unions, indeed, is to move on from one fringe benefit to another in a constant stream of negotiations that lasts the whole year round. What they do not do, however, is to impose any restrictive or demarcation rules about who will do what job; by British standards they seem virtually to delegate to the management the sole responsibility for deciding upon manning schedules for different types of new machines and for deciding in which types of job women can be employed instead of men.

YET the impression remains that most Japanese firms carry many more workers than the simplest system of time and motion study would suggest they can really need. In the longer-established firms this may be largely the result of the "lifetime" system of employment, and of the fact that pay and promotion are supposed to be determined almost wholly by seniority, with a factory worker in his forties being entitled to get twice as much as a factory worker aged about 21. Many firms are paying older workers more than they are relatively worth (which provides another reason why, as soon as they reach the painfully early retirement age of 55, they so inconspicuously retire them). In the very large number of new factories which have been opened only in the last ten years this burden from the "pay by seniority" system is lighter; but it will grow as the average age of the workers in the factories grows. Many cost comparisons of the difference between Japanese and British wage levels tend to ignore this point.

* Oxford University Press, 1958. 215 pages. 25s.

Toshiba Technology Thinks For You

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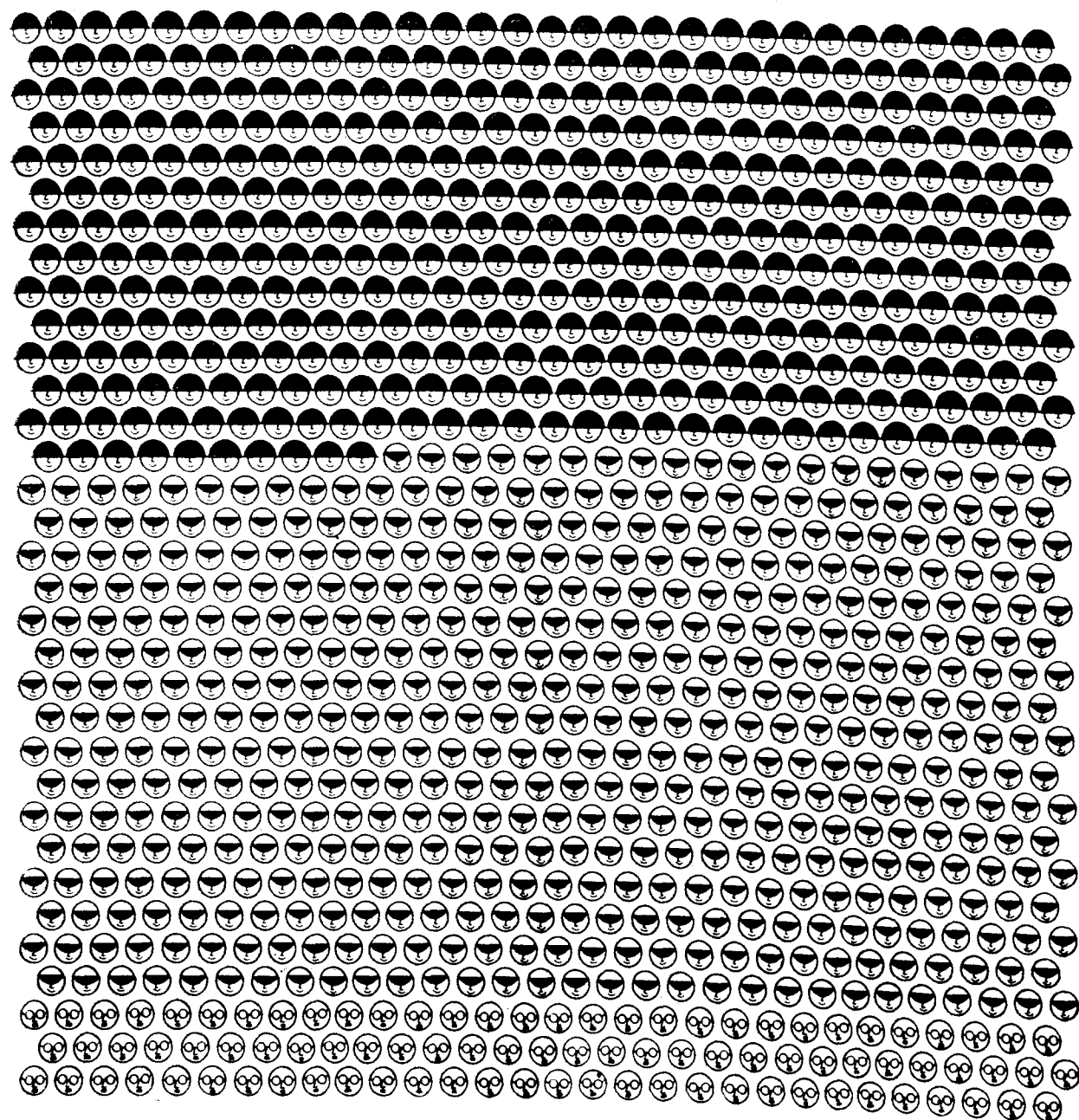


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Moreover wasteful overpadding of junior executive posts seems to be almost universal. In some aspects of management—such as the pre-planning of new operations and meticulous attention to the paper work required for each operation—Japanese industry is first class, largely because so many jobs that in Britain would be done by clerks are done in Japan by university graduates. But whenever any small hitch occurs, the whole machine is apt to catch up in a bureaucratic seizure of immobility. This is partly because under the system of promotion-by-seniority no junior executive has any incentive to show any capacity for making snap decisions on his own; partly because in Japan procrastination in the face of difficult problems is sometimes regarded as a national virtue rather than a maddening vice (after all it was the hero Abe Masahiro who laid down the line for dealing with Commodore Perry: "Our policy shall be to evade any definite answer to their request, while at the same time maintaining a peaceful demeanour"); but largely because it seems to be a tradition in Japan that if any changes in any plans are to be made they must be agreed to by everybody. Even at boardroom level decisions are not taken by majority vote but theoretically only by unanimous agreement.

To prevent this tradition of unanimity from being eternally stultifying many Japanese organisations seem to have a man whom the outside observer finds himself disrespectfully calling the Emperor-figure. Conversation with and even between different executive grades in Japanese industry can go forward most interestingly and pointedly until this Emperor-figure arrives; then, your correspondent found, everybody falls into a deep and respectful hush. As the Emperor-figure (who may belong to the family owning the firm) does not seem always to be the man best fitted to make big decisions, the system is puzzling at first; but in fact his function is probably often to work merely as a constitutional monarch. When there is a controversy about some line of action to be taken, he lays down what has already emerged as the majority opinion as his own decided view; everybody then agrees that he must be right and so the tradition of unanimity is maintained. The system does not make for speed in operation, but it has some achievements to its credit. After all it was by this method, with the real Emperor, that Japan called off the war in 1945.

THIS tradition of always seeking agreement can have enervating results within industries as well as within individual companies. Because the Japanese in their recent great economic success story have followed some fiscal and economic policies in line with precepts that *The Economist* has long preached, it would be nice to be able to say that they are also keen believers in competing between themselves in a free market. Unfortunately, this would be quite flamboyantly untrue. The American Occupation left behind it an Anti-Monopoly Act and a Fair Trade Commission, on orthodox American trust-busting lines. The commission still exists, but the Japanese will explain that its main bias now is towards regulation of "unfair and unethical trade practices" (which means towards stamping out competition).

This is not to say that some forms of Japanese competition—vis-à-vis customers, if not vis-à-vis competitors—do not deserve to be stamped on. In 1960 the Fair Trade Commission set what the Japanese press called a "historical pre-

cedent" by threatening to act to stop the "selling of canned whale or horsemeat under labels designed to give the impression that beef was the content." (The phrase "give the impression" is a fine understatement.) However, this matter was all settled very chummily, in a typically Japanese way. In co-operation with the Fair Trade Commission, the designated packers of whale and horsemeat "launched corrective action by setting up committees on specifications and betterment of trade practices"; once set up, these committees promptly devoted themselves to stopping "excessive price competition" in their industries as well. This sort of thing is very common in Japan; it is constantly a surprise to find how far industries composed even of minuscule firms can continue to keep up prices, often with some form of official support. This applies even—indeed perhaps especially—to goods destined to be sold on export markets. The orthodox British idea, that by toning down demand on the home market one can encourage enterprising small firms to cut their prices and speed up their delivery dates and thus boost exports, is the precise opposite of the policy followed by Japan's Ministry of Trade and Industry. Under the Law on Export Goods Inspection, 1957, many manufacturers have to submit their goods to compulsory pre-export inspections; early this summer, despite the balance of payments crisis, some inspection organisations were grossly understaffed, which resulted in lengthy and officially created delays in some shipments. Moreover, when the Ministry imposes export quotas and official check prices, its object is to keep prices to particular markets up, not down.

WHAT will be interesting, however, will be to see how far import liberalisation serves to introduce some much-needed degree of competition into Japan. This autumn, with a fanfare of trumpets, Japan is due to take a step into what it calls 90 per cent liberalisation of imports. It had better be said straight away that this most certainly does not mean that



Tokyo street scene



Japanese farmer with tractor
Old yields to new

90 per cent of all that might be imported into Japan will be free of restrictions. In the first place, the figure refers only to 90 per cent by value of Japan's spending on imports in 1959; if imports of anything were nought in 1959 (and imports of very many things were) 90 per cent of nought is still nought. Again, imports are still to be authorised only within

JAPAN

the limitations set by an overall foreign exchange budget ; it is pretty clear that liberalisation is being steered into fields where the government hopes that domestic producers would be least hardly hit ; and some tariffs have already gone up to counter the effect of the quota restrictions coming down. Nevertheless the " Long-Range Economic Plan of Japan " was specific about the principles that should be followed :

While it is advisable to give protection to incipient industries which have potentialities for development . . . the government should refrain from giving relief to declining ones . . . Such a government attitude . . . would be felt as rather severe on industries and enterprises. But only by going through such a phase will Japan be strong enough to compete in the world market and gain a solid basis for economic growth.

It will be of enormous advantage to the next step forward in Japan if, as a gradual consequence of the removal of the most

Technicians and Troublemakers

The final two articles in this survey are contributed by our resident correspondent in the Far East. He deals, first, with some of the troubles as well as the achievements of Japan's educational system

OF all the changes which the American occupation imposed or sought to impose on Japan, none dismayed and affronted conservative Japanese more than the reform of the education system. The reaction to these foreign changes provoked a bitter struggle between traditional and " progressive " elements as soon as Japan regained independence in 1952. This conflict has persisted through the ensuing decade, with violent political repercussions, scenes of disorder in universities and high schools and public demonstrations and riots. But generally a steady reversion to Japanese methods and ideas has, logically and successfully, prevailed. Many teachers and radical students, as well as the Japanese Communist party and the extreme left of the muddled and impotent Socialist party, led and lead the still stubborn opposition to the post-occupation trend. The lively paradox is that the conservative political forces and educational authorities which seek to revise the work of the occupation are largely regarded—and always denounced—as " pro-American," while the elements which uphold the old MacArthur education directives include the communist-backed demonstrators who storm the Diet, insult the Emperor, ill-use elderly professors and shout, " Yankees, go home ! "

The paradox derives from the pious occupation conviction that Japan's prewar educational methods, and especially the so-called " course in ethics," had somehow twisted and malformed the Japanese mind. It was assumed that the best teachers for the new Japan would be those who had been opposed to prewar Japanese policy. The result was that a

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onerous part of the import controls, this precept comes at last to be gradually put into effect. Japan has advanced massively in the last decade, largely because it has had a steady stream of technologically educated school-leavers coming on to its labour market to take up their first jobs. The government has followed exactly the right budgetary, economic and planning policies to attract these youngsters into modern, expanding and high productivity industries, instead of following the stagnationist policies which could have left them to sink into the traditional and lower productivity industries of a past age. But now Japan has reached the stage where its objects should also be to draw existing and older workers out of inefficient firms into the new industrial structure ; its sociological set-up, its industrial customs, and its innate habits of mind will not make that switch an easy objective at all.



majority of Japanese teachers reverted to the minority Marxist illusions and delusions of the nineteen-thirties. The Japanese teachers' union, 500,000 strong, became a confused stronghold of militant radicalism and political aspiration, which encouraged some strange excesses among a restless generation of Japanese students.

THE campaign for Japanese-style education in Japan began with the transfer of local education from the control of local authorities to the central government, continued with a revision of textbooks and curriculum, introduced a " merit-rating system " to weed out " undesirable " teachers, restored the controversial " ethics course " in the watered-down guise of a " morals course," placed major importance on scientific and technical-training, and prepared the way for vocational schools as well as high schools.

All these revisions, it was said, were aimed at discarding " the American method of education by experience and experiment." They were concentrated on the six years of primary school, the three years of middle school (which constitute the nine years of Japanese compulsory schooling) and the subsequent three years of high school. But naturally they are exerting a profound influence on the four years of university education also. (Formal education in Japan consists of what is known as the 6-3-3-4 system.)

The tragic confusion of politics with education has not, however, prevented a massively ambitious expansion of

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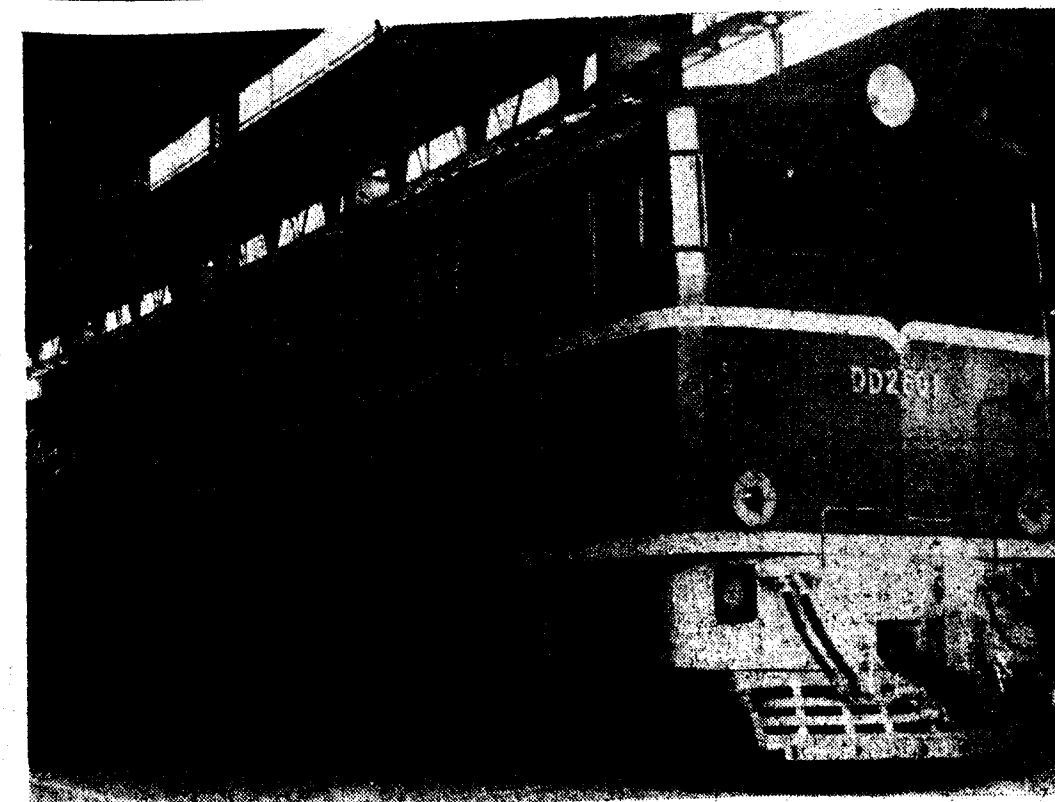
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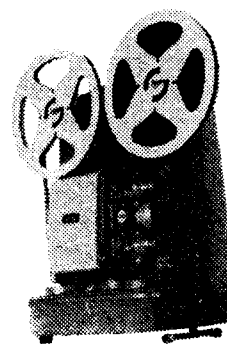
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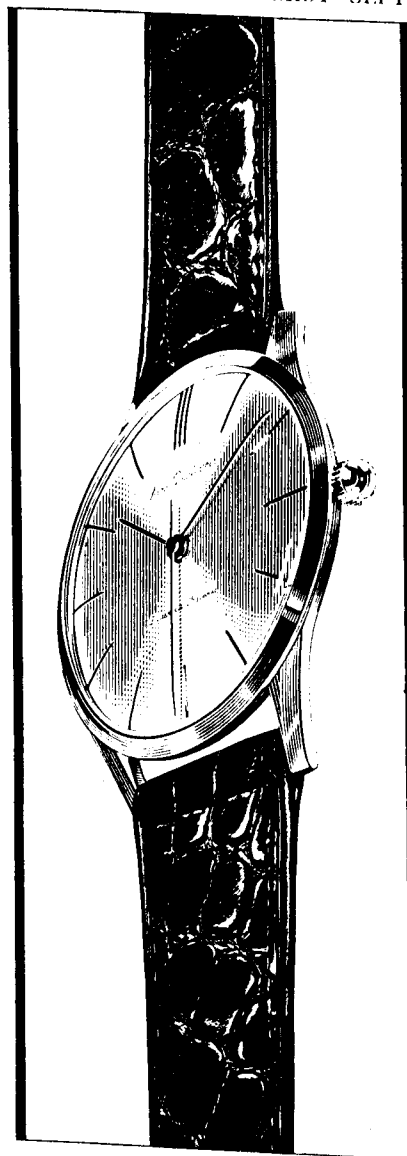


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educational facilities and a corresponding development of technical and high school training in Japan. Emphasis has been placed on education of the 15-17 age group. The rate of enrolment in high schools has increased to 60 per cent of those completing the nine-year period of compulsory education. There is growing pressure to make three years in high school (i.e. education for all children up to the age of 18) compulsory—with concentration on vocational and technical training.

Several bold and far-seeing education ministers have combined Japanese energy with the Japanese talent for skilful adaptation. In a recent survey of Japanese education over the past five years, the claim was made that recommendations contained in the Crowther report in Britain and Dr James Conant's report on American high schools had been incorporated, along with Russian and French practices, in Japanese educational policy. As part of the overhaul of the educational system, a cabinet economic council is drafting long-range training plans for engineers and technicians. The government's plan for again doubling the national income within 10 years will demand constant technological progress and a mounting supply of technicians. Increased enrolments will be encouraged in science and technological faculties at universities. More scholarships will be offered. A new type of high school will be introduced to specialise in industrial techniques. The pace of these developments will, of course, be governed by the availability of instructors, already in short supply, and the continuing replenishment of ordinary technicians who move ahead as they specialise.

TRAINING centres have already been established for technological instruction in nine famous universities. Here high school graduates receive concentrated training for three years, compared with the four-year course of training required for ordinary undergraduates at normal schools. This short-cut is under fire by critics who fear that it may lower teaching standards—and who also argue that it may result in an eventual diversion of young specialists from teaching posts to better-paid positions in Japan's thriving modern factories.

Further recognition of the new industrial age is to be found in the ministry of education's programme for establishing technical high schools, which will offer a five-year term for ordinary technicians, combining the three-year period of normal high school tuition with two years of advanced technical training. This programme has been criticised by traditionalists because it departs from the 6-3-3-4 system and also from accepted long-term educational goals; but the new technological trends in industry are too strong to be ignored.

There are admittedly substantial regional gaps in the rates of enrolment in high schools: a gap between rural areas and urban ones, and a widening rate of migration from country to city after graduation. Part-time schools, night schools and correspondence courses are still needed for remote rural areas in the crowded islands. There are serious accommodation problems, some schools struggling to cope with from 50 to 70 students in a single class. Moreover, despite a steady improvement, the ministry concedes that Japanese teaching standards fall behind western standards.

Since the war, the number of students at Japanese colleges and universities has increased 3.6 times; the number of girl

students has increased more than seven times. Japan is ranked second only to west Germany in the number of active classroom hours in universities, but the results of examinations on "academic" subjects are said to be disappointing; only in mathematics did the Japanese hold their own—at about the same level as students' performances in British and Australian universities, and ahead of the level in the United States.

ALL of this change, improvement and conflict in Japanese education is now approaching a climax in the great universities, already reflecting the influence of new types of students, new ideas and new standards. Violence and irresponsibility in student life and manners will always command the headlines, but there can be no doubt that many of the old qualities of the universities of Tokyo and Kyoto have suffered grievously in postwar years. Not only do the mass of students tend to follow sheeplike, violent minorities, but too few professors have the courage to denounce the excesses of hoodlum students. Japanese traditionalists attribute this deterioration to the occupation reforms, which, they say, diminished the stature of the Emperor, the power of the police and old concepts of patriotism and discipline.

Unless the bellicose temper of the university student bodies mellows, and their political agitation is tempered by some forced interest in learning, the pending revisions in Japan's university system will provoke stormier incidents than the prolonged conflict over evolution in other fields of Japanese education. These revisions, "designed to make universities fit the requirements of the modern technical age and to adapt education to the development of human abilities," are in the hands of the Central Education Council, whose past rulings have so outraged the teachers' union and leftist politicians. The council's investigations are concerned with all aspects of university organisation and life, including such touchy problems as "the control and guidance of undergraduates."

The frustrated, but still strong and active, union of teachers from the primary, middle and high schools will certainly not miss the possibilities for trouble-making on this front in retaliation for their retreats and reverses on their own front. The anarchistic Zengakuren students' movement has already declared that it will resist to the last "any interference with the freedom of students' action," which in practice means freedom to detain professors forcibly in classrooms on matters of university discipline, and freedom to storm the Diet building, assault the police and stone the prime minister's residence on matters of political disputation.

It may well be, of course, that the new type of practical, technical-minded student, who will now be entering university from reoriented high schools, will help to remould campus thinking as the authorities seek to remould university methods. The Japanese, it has been well said, are better knowers than they are thinkers. As a rule, and as a race, they pragmatically set more store on knowledge and know-how than on speculation and argument. In the long run, the clearly-seen opportunities for early and rewarding advancement in scientific and technical careers, combined with the government's realistic investment in technological education, may conceivably result in a larger measure of self-imposed discipline by a more responsible student body. Meanwhile the giddy expansion of that student body still looks hugely impressive, however appalling some of its antics may seem.

South Seas Shuffle

Finally, our resident correspondent in the Far East deals with Japan's trade and aid relations with its neighbours in south-east Asia

JAPAN'S postwar plans for the organisation of an expanding and mutually rewarding partnership in economics, trade and development with south-east Asia have somehow never managed to get off the ground. Suspicions of Japan and Japanese motives died hard in the dark memories of the "mutual co-prosperity sphere" of the war years. Nor were the earliest Japanese diplomatic salesmen after the war as prudent or as tactful as they could have been. Only three years ago a former prime Minister, Mr Shigeru Yoshida, Japan's wise old man, reported bluntly after a tour of south-east Asia: "It is useless just now to think of economic co-operation with these people of the South Seas (Japan's name for south-east Asia), because the idea only raises their suspicions, makes them mistrust our intentions and withhold sympathy from our aims."

But sentiment has changed sharply since then. Japan's exports to south-east Asia are now approximately 30 per cent of the national aggregate, or roughly equivalent to its volume of exports to the United States. Japan's leaders fear that the United States may be virtually saturated as a market, and they realise that the south-east Asian markets will need a higher standard of living and increased cash or credit to be able to buy more from Japan. Japan's own continuing prosperity at home is now indeed largely dependent upon prosperity elsewhere. Nor have Tokyo's trade planners forgotten the sudden hot burst of competitive exports from China into south-east Asia in 1958.

At the conference of the Economic Commission for Asia and the Far East in Tokyo in March, Asian delegates, their old fears apparently forgotten, were politely critical of the scope and degree of Japanese aid and investment, but recalled hopefully that the prime minister, Mr Ikeda, after his own tour of the region four months earlier, had promised to promote economic co-operation with south-east Asia "even if we have to borrow money from foreign countries to do so." There is also pressure from Washington: Japan's ambassador there has no doubt transmitted State Department hints that Japan's proportion of foreign aid and investment could, with advantage, be increased to one per cent of the gross national product. The present proportion is just over half of one per cent. (In 1956 it was 0.2 per cent. The total amount of foreign aid extended by Japan between 1956 and 1960 was \$1,000 million, on Japan's measurement.)

DRASTIC proposals to change the pattern of triangular trade now existing between the United States, Japan and south-east Asia have just been advanced by Japan's influential Institute of Asian Economic Affairs. The institute's experts, under the direction of Professor Kiyoshi Kojima, complain of contradictions, weaknesses and harmful competition between Japanese and American trade trends with south-east Asia. These they argue, will have to be corrected in concert before

the development of the south-east Asian states can be properly planned and expanded. The south-east Asian problem, indeed, is presented primarily as one of long-range agreement and co-ordination between Washington and Tokyo, and secondarily of investment and aid by both governments.

Briefly, Professor Kojima contends that the flow of south-east Asia's exports in primary products to the United States should be large, and of American exports in primary products to Asia small. Actually, the volumes are reversed. Secondly, the professor says, the proportion of American manufactured exports to south-east Asia should be raised as the proportion of primary products drops. Thirdly, while Japan's imports of primary products from south-east Asia are of course high, they should be higher—at the expense of a reduction in the excessive imports of American primary products. Fourthly, Japan should reduce its existing volume of exports of "labour-intensive" light industry goods, in order to increase its exports of "capital-intensive" heavy machines and equipment.

It is pointed out that, to the extent to which Japan imports primary products from the United States—because of superiority in quality and quicker and safer delivery—instead of from south-east Asia, Japan's trade liberalisation policy automatically and increasingly stimulates this undesirable trend. Abolition of the protection which America now gives to its agriculture and textiles is strongly recommended. The United States should shift its industrial structure still further to heavy and chemical industries as well as the service industries; or so the report says. There is ample room for adjustment in the competition between Japan and south-east Asia in textile exports if Japan places greater emphasis on sending out mainly higher quality textiles. Japan should be ready to see a run-down in its exports of lower quality textiles and even begin to accept such textile imports from south-east Asia.

The United States and Japan, it is further argued, must co-ordinate aid and trade policies to increase the production of food, and especially rice, in south-east Asia. Because of poor methods and inadequate use of fertiliser, the south-east Asian countries produce too little food. This low productivity is responsible for the higher south-east Asian prices for primary products, which the United States is able to undercut to the continuing disadvantage of Asian balances of payment. Japan, by scientific methods and proper use of fertiliser, produces four tons or more of rice to the hectare; in Korea and Formosa, the average yield is three tons; in other areas of south-east Asia, it is often one ton or less. Chemical fertiliser must be made available and large-scale irrigation work undertaken to double the production of rice in south-east Asia in the next 20 years—an increase which will just meet the estimated rise in population and rice demand in that time.

Finally, Professor Kojima recommends an agreement between Japan and the United States on capital co-operation and amicable division of the categories of heavy and chemical industry products on which both should concentrate for the

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south-east Asian market. Some of these classes of capital goods, he insists, could be manufactured at lower cost in Japan if mass production were possible. "It is clear from our analysis," he submits, "that there remains an ample market for the exports of capital-intensive products from the United States and Japan to a self-prospering south-east Asia, with expanding industry and rising living standards, provided that the United States and Japan improve their pattern of triangular trade and invest aid and capital in the right directions."

IN an imperfect world, the political and international difficulties confronting the recommendations of the Kojima report are only too obvious. But the report coincides with Mr Ikeda's pledges of increased help and with a steadily rising scale of aid by Japan to the South Seas area (which, by Japanese calculation, includes 14 states: Formosa, Hongkong, South Korea, Burma, Ceylon, India, Pakistan, Malaya, South Vietnam, Laos, Cambodia, Indonesia, the Philippines and Siam).

There is certainly an encouraging mood of ripening reasonableness in both government and industry in Tokyo. Perhaps, too, the prospects of long-range planning between Japan and the United States are not as remote as in other days. After all, Washington today is prepared to welcome Japanese investment in factories in areas of the United States, like Kansas, North Carolina, New Jersey and the west coast, to the advantage of both countries.

Japanese aid for south-east Asia takes the shape of loans, technical investment and advice, and more or less generous variations on the prickly theme of Japanese war reparations. Loans, it is true, have not been munificent; for example, only \$80 million went to India's third five-year plan and \$30 million to Pakistan's second plan. Interest on the Indian loan was 5½ per cent, which can be hardly described as generous. However, close friends of Mr Ikeda say that the prime minister was shaken by his first personal observations of poverty in India; maybe there will be more liberal offerings.

Technical aid has been on a more ambitious scale, and action has been taken to reform and expand this form of co-operation. An Association for Overseas Technical Co-operation, with a capital of 200 million yen, will pool the efforts of the Asia Association, the Latin American Centre, the International Engineering and Technical Association and the Lower Mekong Research Committee. In the past eight years, 35,000 trainees have come to Japan for technical studies, and Japan has sent 600 experts abroad. The latest budget appropriations for technical co-operation with the Colombo plan region total 2,233 million yen, including grants to Cambodia and Laos, and loans and credits to India, Indonesia, Pakistan, the Philippines, Siam and South Vietnam. In the year ended March, 1961, Japanese firms invested £15 million in south-east Asia.

Reparation payments are another method of providing economic stimulus in which Tokyo has done some skilful backing and filling. Burma's exports to Japan are worth only 25 per cent of its imports from Japan, and her leaders now complain that Burma has suffered because of an early agreement to accept \$200 million worth of goods in settlement of reparations, while other countries, which were tougher, have since hammered out better terms. There was some fine print in this agreement which provided for later renegotiations, but

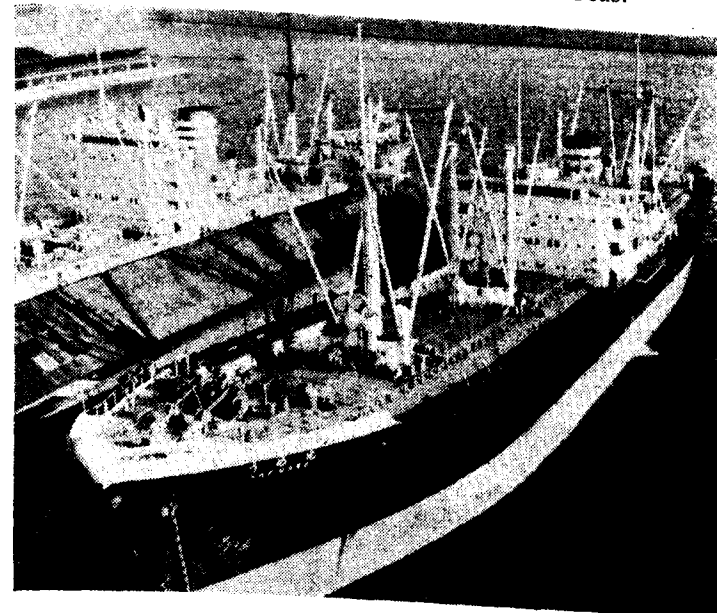
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the Japanese are now being unyielding—and, in any event, no longer require rice imports from Burma because of improved agricultural methods and a growing taste for western bread and butter. So far Japan has paid £41 million in reparations to Burma (of an agreed £72 million), £41 million to the Philippines (of an agreed £198 million to be paid over 20 years), £15 million to India (of £80 million over twelve years), and one million pounds to South Vietnam (of £14 million over five years). A complicated settlement with Siam over Japan's manipulation of the local currency during the occupation of Siam is being completed.

Finally, rationalisation of trade and aid should be simplified by the stirrings of regional integration in south-east Asia. The projected Federation of Malaysia and the alignment of Siam, Malaya and the Philippines in the Association of South-East Asian States (ASA) are helpful contributions to the reshaped pattern of triangular trade advocated by Japan's Institute of Asian Economic Affairs.

JAPAN has rejected all tentative proposals for a Pacific common market, contending with some plausibility that there is far too much diversity in the markets, wage structures and technological capacities of the various countries. But ASA is a welcome exercise in south-east Asian self-reliance; it represents a potential economic-social grouping of 65 million people and could help to stabilise world prices for south-east Asia's rubber, tin, copra and other basic exports. The nervous neutralism of Burma and the expedient neutralism of Indonesia limit the horizons of ASA, a grouping which, even if non-military, is anti-communist. The delicate balance which must be preserved in all plans affecting south-east Asia was properly stressed by the Burmese government: "When emphasis is placed on the positive aspects of common economic interest rather than the negative aspects of anti-communism, the idea of an association of south-east Asian states can become a reality."

Some symbolist has since expressed the prospects for ASA by altering its original title ASAS, which is bold Malayan for "foundation." The new title ASA means simply "hope" in the native languages of the three founding partners. Perhaps this is the right mood, also, for a cautious sniffing of the prospects for freer trade winds in the South Seas.

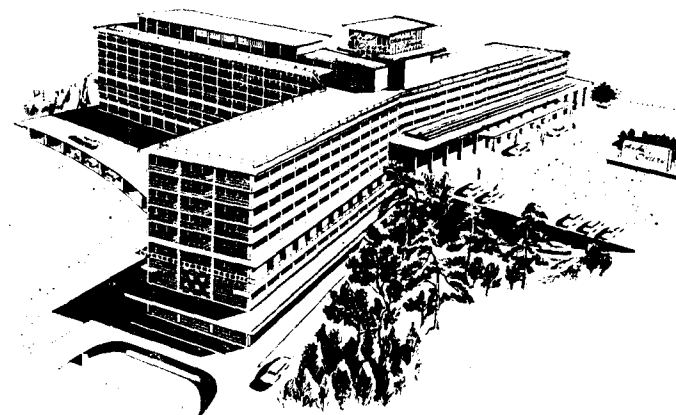


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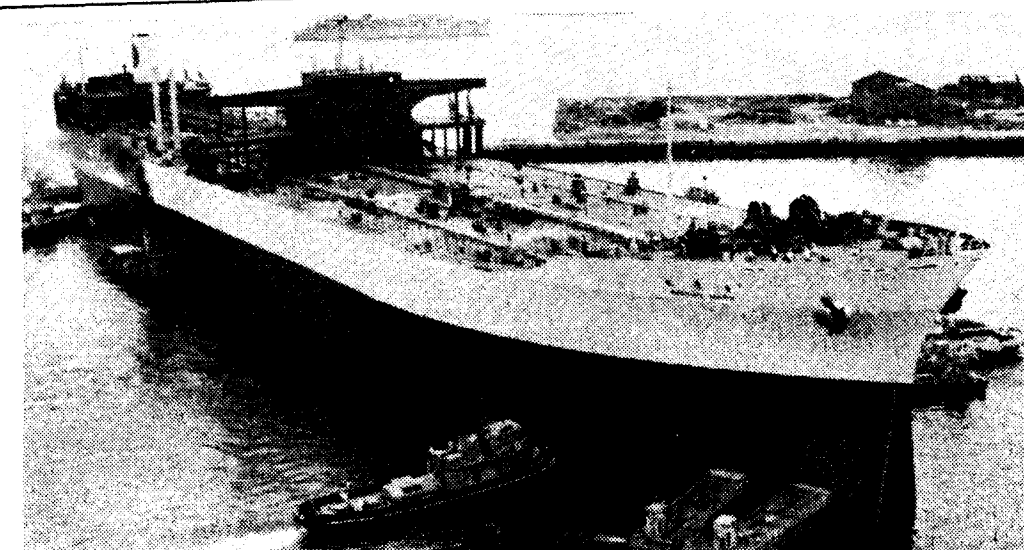
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HOME REPORT

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

Sheffield
Experiments

FROM OUR SPECIAL CORRESPONDENT

THE new Sheffield is a city of visual excitement. Other industrial towns share the sense of monodic drama which comes with great mills, belching chimneys, and soupy air lying heavy on the frail shoulders of the back-to-backs. Sheffield has, in addition, three steeply-rising hills enclosing and looking down on the dark heart of the town at the confluence of its two rivers; and on them, stark towers and cliffs of council-built housing enliven the pale murk of the skyline, punctuating and lending point to the new open spaces which lie where not long since were marching armies of slum houses.

Ten years ago Sheffield, still grossly scarred by war, began to reform the grim mixture of slum and furnace which two centuries of industrial revolution had imposed on its city centre. Its limitations were severe: at 500,000, its population was all but bursting through its boundaries, within which only two-thirds of the available area could be used for development, the rest being within the Peak National Park. There was a substantial waiting list for houses; about a quarter of the population was living still in slums which urgently needed demolition; and much of the space occupied by slums intermingled with factories in the Don valley was needed for the expansion of the factories if Sheffield was to maintain its prosperity. But there were some initial advantages, too, not the least of which was council responsibility for much of the later nineteenth-century housing, put up when its own by-laws of the decade after 1860 made the speculative building of working-class houses less profitable than it had been in the back-to-back era.

A start was made immediately after the war with the infilling of space in the city; but the first major scheme, covering what had been virgin countryside, came in the 1950s, and was built on the then avant-garde Radburn plan. In five subsequent projects in the decade since 1953, some such development of new town principles has been incorporated and, apart from the extraordinary densities with which the planners are working (160 or more, net, to the acre), no particular significance attaches to them. They are good of their kind, exceptionally numerous (about 20,000 dwellings have been council-built since the war—but 67,000 more are

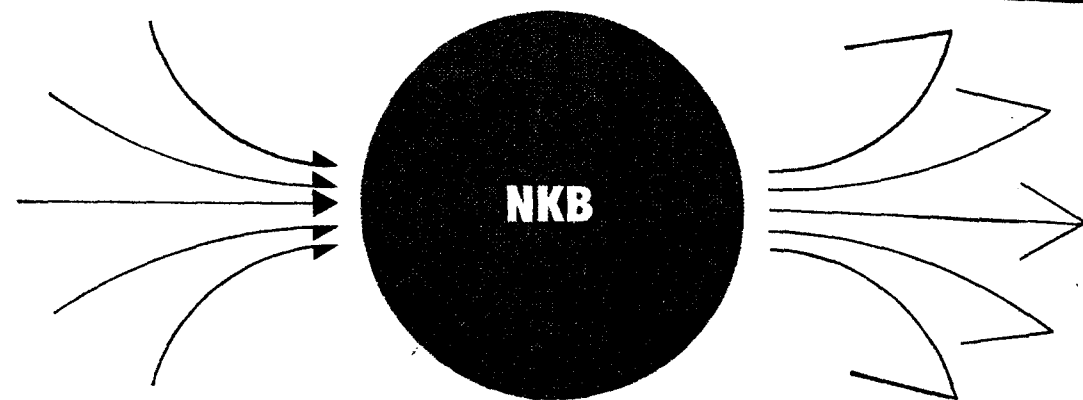
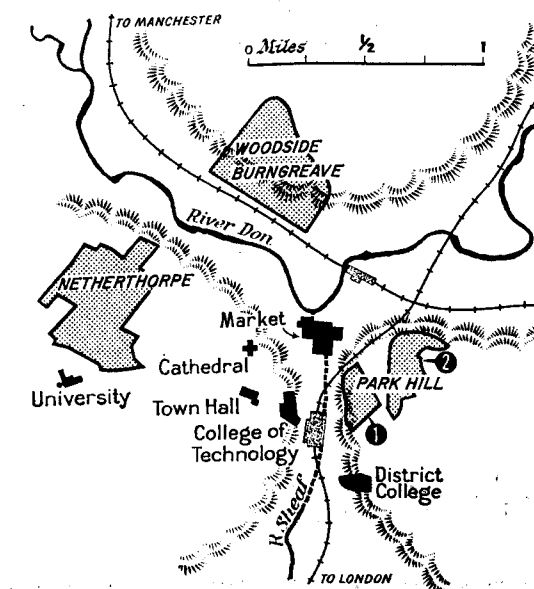
needed), and low in cost, having been built to plans prepared for the municipality by its own public works department, which tendered lower than anybody else. But nobody could call them original in conception or execution.

The sixth of the seven developments during the decade, Park Hill, is, however, a new departure, representing the first step in a scheme of undoubted vision and scope, which has a social purpose rather than a mere need to package as its impetus. Park Hill stands steeply overlooking the Midland railway station on the south side of Sheffield, close to the city centre and, within fresh memory, the home of over a thousand slum families. Their dwellings had been the subject of some of the earliest of the city's slum clearance orders, and much of the site had been cleared before the war. On this site the first redevelopment scheme proper was begun in 1957.

Dwellers in slum areas are in intimate social contact with their neighbours, and generally have a certain co-operative loyalty to the only meeting-ground available to them—the street. Park Hill, and the scheme which will accompany it, have been designed to perpetuate both neighbourliness and a form of the street while doing away with their more obvious shortcomings. About whether the design has succeeded there may be more than one opinion; but it is certainly a notable first attempt to break away from the traditional insipidity of council housing.

IN plan, Park Hill 1, the first half of the development housing nearly 1,000 families, is a series of four serpentine blocks, four storeys high at the top of the hill increasing to fourteen as the ground falls away. Every third floor is a "deck," corresponding to the access corridor of the conventional block of flats, but ten feet wide: on to it open all the front doors of the two-storey maisonettes (one above deck-level) and flats (below deck-level) of which the blocks are made up. Each deck is continuous through all four blocks, forming the "street" to which so much sociological importance is attached. Park Hill 2, now called Hyde Park, will rise behind the completed scheme, and link with it through similar decks. In addition, the lowest of the decks will eventually link directly, via a bridge over the Sheaf river valley, with the proposed city centre, bits of which have already been built, partly by the corporation and partly by private developers, to incorporate a first-floor-level gallery which is the continuation of the decks at Park Hill, and which will itself be continuous from one building to the next. By this means it is planned to achieve the complete segregation of pedestrians and road traffic (which is not a pressing problem now, but may become so when Sheffield's comparative isolation is ended by the new London-Yorkshire motorway).

Reactions to Park Hill range from whole-hearted approval to outrage. The accommodation is small; no amount of convoluting has managed to avoid the appearance of cliff-dwellings in the blocks; the density, of 192 to the acre net, is perhaps unnecessarily high, even for Sheffield; the tenants are not unanimous in their liking for the "street" idea, and some of them complain of living in a barracks; there has been some talk of architectural triumphs at the expense of social improvement. Nor is that the only expense complained of: the average cost



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of an apartment is, at £1,950, over £300 more than that of the equivalent council house on an estate—and Sheffield does not operate a differential rent policy (£2 7s. 4d. is the maximum gross rent for a three-bedroomed apartment in the city, 13s. 10d. of that being rates).

The municipal departments concerned remain convinced of the rightness of what they are doing, and point out in support that they are accommodating twice as many people as the area formerly held, in infinitely more salubrious quarters; and although costs are high, the economies implicit in large blocks with central servicing make the whole proposition compare favourably with conventional estates of the same size and capacity. In spite of reservations, primarily about the city's apparent preoccupation with high building as a universal solution to housing needs, it is hard to avoid sharing the excitement of the builders, and their feeling that something significant has been achieved.

End of the Line



FROM A CORRESPONDENT IN GLASGOW

MORE than a quarter of a million Glaswegians turned out on two separate evenings during the week to line seven miles of the city's streets and bid a sentimental farewell to the last city tramway service in Britain. Most of them firmly believe it was also the greatest and they have facts and figures to prove it. Blackpool may have the last trams of all but now that the Glesca' caurs have lurched into history such heresies as the space age could become acceptable along Clydeside.

Sociologists have still properly to explain why Glasgow should have claimed the tramcars so completely for its own (although it may be allowed to local pride that nobody else managed to operate them so cheaply or successfully). No city but Glasgow invested its trams with such impassioned law and legend or stood faithfully by them for so long. The tramcars' departure may help simultaneously to balance the city's books and ease traffic troubles in the streets, but it will do the civic psyche no good at all. Glasgow used and loved the trams throughout its great days, and over the past decade there are plenty of Clydesiders who see hard times significantly endured by the city and its trams together.

The Number Nine tram (Car 1313, Coronation Mark II model) that ended it all in the wee sma' hours last Sunday morning, September 2nd, had run the final route from Auchenshuggle to Dalmuir West, most of the way in sight of Mother Clyde. Some old men who just remember the municipal tramways' birth and who have lived long enough to witness their death, have been joined this week at the wake by light railway enthusiasts flooding in from Europe and elsewhere. But Glasgow Corporation celebrated the occasion on Tuesday with a shameless piece of Barnum and Bailey and staged a cavalcade of 20 Glasgow cars ancient and modern, the Lord Provost driving one and surviving to boast of it at the valedictory banquet that followed.

Horsedrawn private enterprise trams were eliminated when Glasgow Corporation monopolistically launched its own tramway system in 1894, and it was not until 1955 that the corporation began scrapping it seriously (four years after the Inglis report on the Clyde valley's transport problems had pointed the way). Between 1894 and 1955 there was bred in Glasgow a famous dynasty of tramway managers who created an international reputation for the city's tramways. The services were still expanding up to 1948, but that was a big year when 595 million passengers were carried and 38 million miles run by a fleet of more than 1,100 cars which worked 40 routes over 270 miles of single track.

Up to 1945 the trams were highly profitable. Municipal transport (mainly the cars) paid £1.5 million to the city's Common Good fund, and also provided £5.15 million to the rates and £2.5 million in property tax. For long the big thing about the trams was the cheapness of the fare; for many years it cost only ½d. to travel half a mile. The ½d. fare was so cheap it was sometimes attacked for that very reason, but it had a lot to do with the tramcar taking its place in Clydeside mythology.

The Glasgow trams, mostly by absorption in the 1920s, ultimately served Lowland burghs and hamlets well beyond the city boundaries, from Airdrie and Coatbridge to Paisley, Barrhead and Elderslie, from Rutherglen and Uddingston to Hillfoot,

And if they have not quite achieved what they planned—the cheapest and best council housing in Britain—they have come close enough to it to attract visitors from many countries to see their work—a welcome development, acknowledged in the publication this year of a progress report in three languages, one of them Russian. Sheffield has much to teach other grim cities (and some not so grim) about urban renewal and vigour in local government; even its severest critics allow that.

THE ECONOMIST SEPTEMBER 8, 1962



On the new "street"

Milngavie and Clydebank. The longest haul was 23½ miles, from Milngavie to Renfrew Ferry (maximum cost 2d. in the brave days), but these farflung services through rural areas contained some of the seeds of eventual unprofitability. Finances, in spite of cheap fares, were buoyant for so long that the transport department twice paid off its outstanding capital liabilities, but the postwar period began a financial decline. Operating costs rose steeply as tram track grew expensive to maintain and as buses increasingly served the emerging peripheral housing estates. By the early 1950s municipal transport was well in the red, surplus and loss have fluctuated wildly since, and today there is a capital debt in excess of £6.3 million.

Whether transport undertakings show a temporary profit or a loss tends to depend nowadays on fares either needing to be raised or recently having been. Glasgow's, in fact, has made substantial profits for two years back and only the tramway sentimentalists remain unconvinced that the new profitability has very much to do with the progressive elimination of the tramway system. It was in 1957-58 that the decision was irrevocably taken to convert to buses before 1963, and in spite of last-ditch bids by their fans to save them the end of the line has duly arrived for the trams. The next step ought to be the rationalisation of Glasgow's modernised transport system (discussed in *The Economist* of February 3rd) within a wider Clyde valley road-rail network, fully integrated to speed passenger carrying by public and private means. The first faltering moves towards such a full scale integration are getting under way just as Lilley's toothpicks (a fearsome Glasgow invention for tearing up enormous lengths of tram track) are swiftly removing the last of the granite setts on which so much tramways history was made. Stubborn local enthusiasts remain sure that in time Glasgow will turn again to tramcars, on the American or European model, and thus reap a bitter harvest from its motorbus policy. But meantime the ratepayers like the new profitability of the buses and motorists know well that the traffic flow in the streets is quicker since the last trams went.

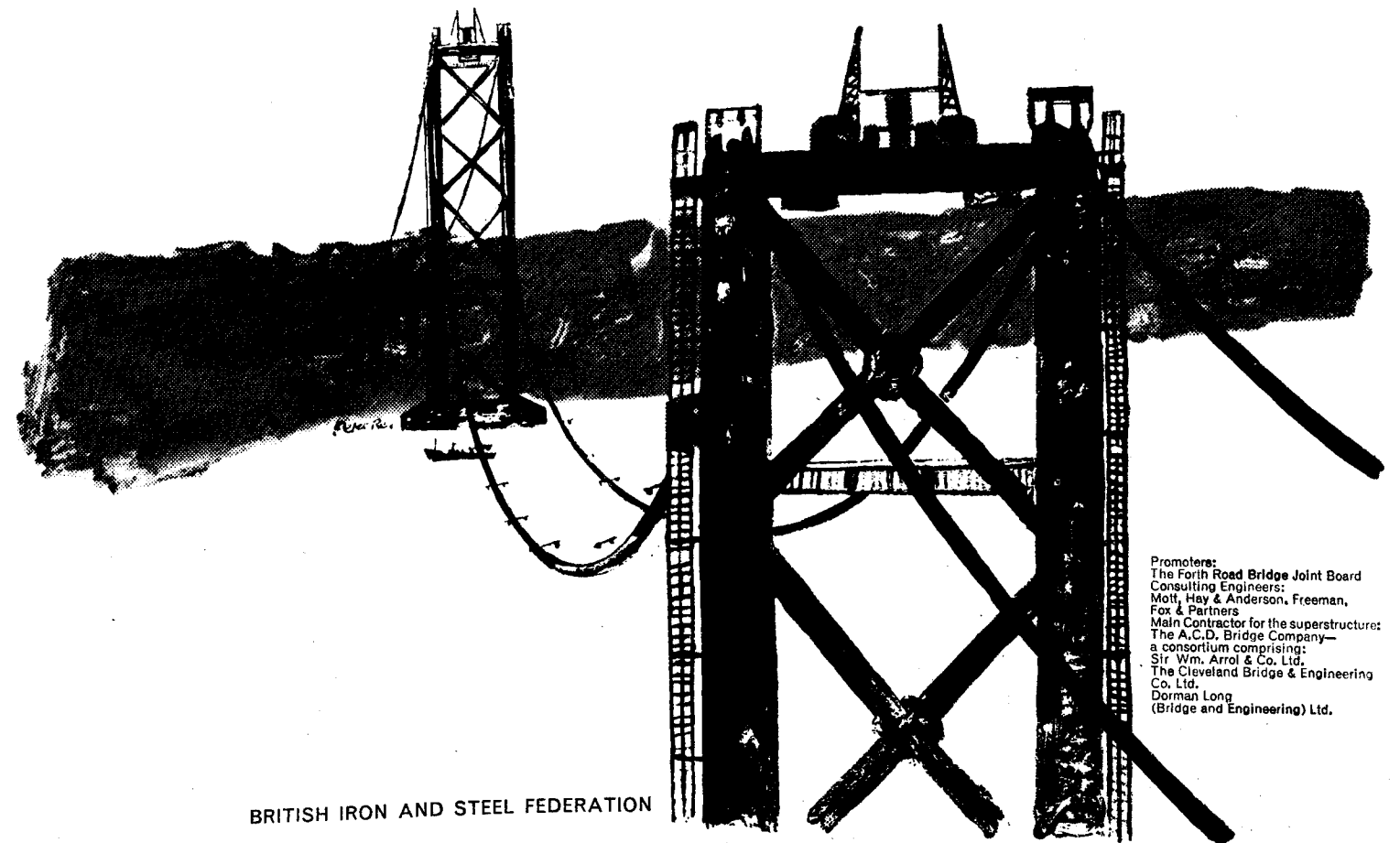
THE ECONOMIST SEPTEMBER 8, 1962

THE SHORTEST DISTANCE BETWEEN TWO POINTS IS A CURVE

The swooping curve of steel

wire which now leaps across the Firth

of Forth looks good to motorists. When the Forth Road Bridge, of which it is part, opens in 1963, the Edinburgh-Dunfermline run will be cut from 40 tedious miles to 7. For key jobs like this, bridge builders depend, of course, on STEEL: 6,000 tons of high-tensile steel plate in the two 500 foot main towers; 30,000 miles of high-tensile steel wire in the 2 ft. thick main cables—each made of 11,618 separate wires, only 1.5" thick but with a breaking point of over 100 tons a square inch. Another 16,000 tons of high-tensile steel will be added in the roadway of the bridge, plus 880 tons in balustrading and railings. In all, some 39,000 tons of steel will span the Firth, its curves set against the more severe lines of the Forth Rail Bridge, which back in 1889 was the world's first great bridge to be built of steel. Today, as then, steel—tremendously strong and versatile is the *modern metal*. **STEEL SHAPES TOMORROW**



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Co. Ltd.,
Dorman Long
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THE BUSINESS WORLD

Do's and Don'ts for Washington

What is to be expected from the annual meeting of the International Monetary Fund (and the more cloistered sessions in private rooms) opening in Washington on Monday week? Mr Reginald Maudling has promised new initiatives from Britain; President Kennedy is taking a special personal interest. But this attention itself is not enough to promise success; there seems a clear danger at the moment that brave intentions may yield little result, or may even misfire. A rare mixture of long-term vision and diplomatic tact is necessary to break through the present frustrating deadlock in international finance, and unfortunately the financial authorities in London and Washington have so far shown themselves rather short on both qualities. Some short-hand practical advice may perhaps not be taken amiss. And before coming to the positive things that Mr Maudling and his American counterparts could and should desirably say, one must begin with warnings of what they should definitely not say, lest the best constructive proposals be ruined in advance.

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True to God, the Queen and American Treasury Bills?

THE first "don't" needs to be shrieked out loud. *Don't* give yet another plea for the international monetary system to be run on the principles of the Boy Scout movement. *Don't*, Mr President, send round a rallying call that all partners in the western alliance should patriotically do their bit for Nato by holding dollars and not changing them for gold; do, Mr Roosa, persuade Mr Dillon to spread around that the United States has gold in plenty and is only too happy to exchange it for any central bank that is fool enough to lose the interest on the US Treasury bills that it holds. And there is a footnote for Mr Maudling: *Don't* make too much of the unfair burdens that have long rested on sterling through its role as a key currency. Sympathy is not a powerful mover in international diplomacy, least of all in financial diplomacy with the French; and this one has been tried before. People will not change the system because they feel it is tough on you: they will change it if you can show them it is worth their while to change it. For what offer, see below. Meanwhile, Mr Maudling, don't expect to get anything by offering nothing; Mr Roosa may have some Roman memories about this.

Maudling-Roosa Entente?

BUT perhaps you have already got together? It would be a pity if you had not. You happen to be a British Chancellor of the Exchequer keenly interested in achieving a real transformation of the international monetary system—but perhaps not quite certain how to go about it—at a time when external policy for the dollar is being directed by one of the keenest central banking minds ever to come to grips with the balance of payments. Mr Roosa, necessarily, has paid first attention to short-term pressures; but do not, Mr Chancellor, follow some of your advisers in under-estimating the possible implications of his longer range ideas, notably for mutual holding

of currencies. With patient but purposeful shoving, this concept could work out much the same as the elaborate plans of the Keynes or Triffin type which, Mr Chancellor, you have prudently been advised not to resurrect under present circumstances. The start made this year under Mr Roosa's lead in mutual holdings between central banks is a minimal one, totally inadequate by itself. But it is a start; and just what is the Bank of England doing in frowning on the idea to such an extent that the sterling-dollar arrangement has now been allowed to lapse? The Bank, like some other central banks, distrusts the idea of "artificially creating" reserves. Mr Maudling, do you? Or has this not rather struck you as the object of the exercise? If you are really serious about new initiatives, there could be something in Roosa for you. *Don't* under-estimate the value of a co-ordinated Anglo-American approach; don't over-estimate the impact of a few wise words uttered in isolation.

So much for the don'ts. Now for the positive stuff. *Do*, as an overriding aim, make an impact. Do reinforce your resolve not to produce yet another beautiful comprehensive plan—there are more than enough to choose from already—but to break out of the impasse. Think of it in this way: more urgent even than making available new forms of liquidity is to stop the existing forms of liquidity from freezing up. And freezing up, in effect, they are. America with \$16 billion of gold behaves as if it has \$4 billion; European finance ministers with billions in dollar balances face hostile questions at press conferences if they begin to draw them down. The first task is thus to restore confidence in the usefulness of existing international money.

Nettle of the Guarantee

How? You, Mr Roosa, claim it can all be done by faith. The only real guarantee for the dollar, you say, is its own strength. Well, that's a platform point but not much else. The hard point is this: if foreign monetary authorities

Every
25 minutes...

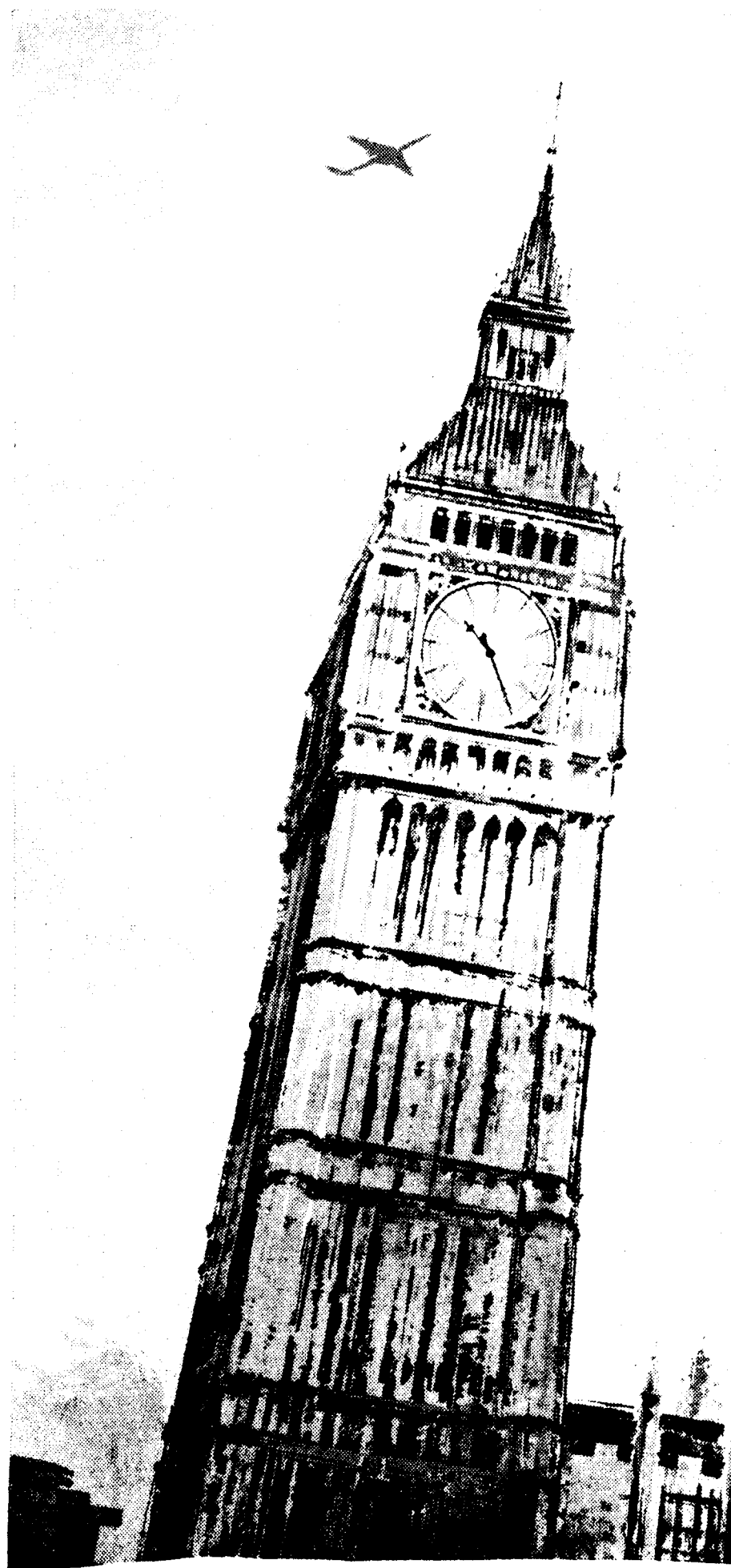
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convince doubters, many with wide scientific knowledge, that this Anglo-French venture is secure, because we have tricks unknown to the Americans. American manufacturers have examined both kinds of supersonic design and rejected the light alloy aircraft because of its apparently short commercial life. It is worth remembering that the long-range Britannia airliner and the short-range Vanguard were examples of propeller-turbine aircraft that represented the ultimate propeller-aircraft design. The airlines pointedly preferred jets, and the two propeller aircraft proved virtually unsaleable. At Farnborough during the past week, the aircraft industry could be seen belatedly attempting to rectify the mistake with the British Aircraft Corporation's giant VC 10 and de Havilland's smooth, smaller Trident.

Its supporters claim that the light alloy Mach 2 aircraft will have a lead of five years at worst, and at best considerably longer, over any steel-built competitor. But one must ask whether the entire United States aircraft industry is composed of ostriches. Has the lesson of the Comet been learnt? Does the industry still lack a sense of timing? All the evidence suggests that airlines are in no hurry to go supersonic, will not be panicked into doing so, and will not thank anyone for offering a supersonic airliner before they are ready for it. They also expect an economic performance from any supersonic airliner that they buy. In spite of the popularity of the early Comet before its fatal weakness was discovered, airlines did not buy it because they did not think it the right jet for the job. They waited instead five long years for the big Boeing and Douglas jets; and they might make just the same decision when offered the choice between two different supersonic systems. Airlines are asking not merely for speed; they want speed with economy over a variety of routes on which the aircraft have to fly mainly supersonically but in part subsonically. An airliner flying from New York to Europe, stopping at London on the way, might cross the Atlantic at supersonic speed but could not fly supersonically on the short leg between London and Paris. But supersonic flying calls for an aerodynamic shape that is inefficient and expensive at slower

speeds and these short, slow flying legs of any journey might prove cripplingly uneconomic.

Accordingly, it becomes necessary to change the shape of the aircraft so that it has one configuration when flying fast, and another when flying slow. American manufacturers are incorporating geared wings in their supersonic designing—the so-called “variable geometry”—which expands or retracts the wing according to the speed at which it is flying. If this trick works, it will produce a more economic design than the Anglo-French light alloy aircraft, but many years will be needed to make it work. Delivery of such an airliner is virtually impossible before 1975, and unlikely much before 1980. But now that they know such ideas are being worked on, airlines are not likely to buy any supersonic airliner without it. It is ironic that the idea originated in this country with Dr Barnes Wallis at Vickers-Armstrongs; it has taken American effort to try to turn it into a workable mechanism.

THERE are plenty of difficulties in the way of any supersonic airliner, not least the sonic boom that it trails as an explosive shadow wherever it goes. But since the consensus is that such aircraft will be built and flown, it is imperative that whatever Britain builds should have a competitive chance in world markets. When hundreds of millions of pounds are involved, one cannot justify British ideas by saying that American ones will not work. Either they will be made to work or the American aircraft industry goes out of business—which it has no intention of doing. Were this a matter of commercial judgment solely, the industry could be left to make its own mistakes, as Vickers-Armstrongs did with the Vanguard, sadly and expensively. But the bulk of the cost of development in supersonic aircraft will have to be met by the taxpayer; no group, however big, could raise Britain's £50-£75 million minimum share in the Anglo-French venture. It would be surprising if the companies each invested much more than their usual stake of about £10 million in a privately-developed civil airliner. This is, in truth, a public commitment and the aircraft technicians had better explain it publicly.

BUSINESS NOTES

HALIFAX BUILDING SOCIETY

Taking the Plunge

IN promising to cut its mortgage rate from 6½ to 6 per cent and its net share rate from 3½ per cent to 3¼ per cent next February, the Halifax evidently feels that the trend towards lower interest rates will be maintained. Other societies probably agree with this view but are not likely to rush precipitately after the Halifax, which is not a member of the Building Societies Association and has always been able to pursue its own line, as the biggest society of all. When the Halifax's rates are level with those of the others, as they have been for some time, its inflow of new funds can be embarrassingly high and difficult to

match in suitable new mortgage loans. And since it was never in the government's now abandoned house purchase scheme, it cannot use an excess of new money to repay money advanced by the government under the scheme, as other societies can. With its liquidity ratio above 17 per cent by the end of July, the Halifax's decision pays logical regard to its own special circumstances.

But its decision adds to the pressure on the building society movement, already supported by government spokesmen, to bring mortgage rates down. In the end the other societies will find this difficult to resist and, given a further slight fall in interest rates,

a reduction in the association's recommended rate in the new year must be reckoned as a lively possibility. But any such step would be nonsensical if it brought back the rationing of mortgages and the societies must first convince themselves that the inflow of savings will remain high at a lower rate of interest before they move. If the aim, as the movement and the government proclaim it to be, is to encourage home ownership, the societies would not be flint-hearted monsters if they left the rates unchanged. But is there any such thing as a right level for a recommended rate fixed by the Building Societies Association? Why not dispense with it altogether? Not all member societies can afford to observe it anyway. For the rest, more competition and less cartel might be a good principle to

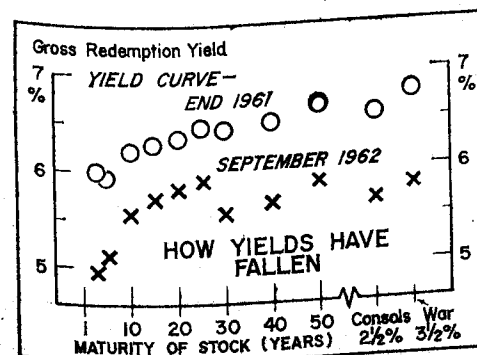
THE ECONOMIST SEPTEMBER 8, 1962

follow. Then, house purchasers could shop around for mortgages and the societies could shop around for savings more freely.

IN THE MARKETS

Gilt-edged Unchecked

WEDNESDAY'S issue of a further £500 million of 5½ per cent of Treasury stock 2008-12 for which “applications from the public were allotted in full,” was barely noticed in the market. For those unfamiliar with the devious ways in which the British financial authorities still cloak their basically sensible borrowing arrangements, one must explain that since the issue was deliberately pitched above the price at which the same stock can be bought in the market, applications from the public must have been confined to the misguided few. The great bulk of the issue, in the usual way, has been taken up by the government broker on behalf of official funds, where it will henceforth be available “on tap.” Since, if recent tactics are continued, there will be sales from this tap only if the market as a whole rises sufficiently to make the tap price look attractive, the existence of this large new potential supply is not a threat to existing prices. It does, admittedly, act as some check on an immediate rise for this and comparable stocks, and in the past week both the 1999-2004 stock and irredeemable War Loan have risen by only another ½ point or so. At the same time, the switching of the “long tap” from the late eighties into the twenty-first century has provided a boost



for the twenty-year maturity range, and both the 1982-84s and the 1986-89s (which left the tap a week ago) have risen by 1½ points. Thus, as was almost certainly intended, the large new issue has not taken the steam out of the gilt-edged market as a whole.

Nor has it checked the flow of non-government gilt-edged issues—which the government broker does not support. Manchester is offering £10 million of 6 per cent stock 1973-74 at 99, giving a gross redemption yield of 6½ per cent. These terms, pitched right up to the existing market valuation for comparable corporation issues, denote a saving of ½ per cent over corporation issues made only a month ago and of ½ per cent over issues made in late spring. Even so, one member of Manchester

BUSINESS NOTES

Finance Committee has stated publicly that he would have preferred to wait longer for a larger saving. The trouble here is that Manchester would then again have missed its place in the issue queue. Since the borrowing arrangements are due to be remodelled very soon this might not matter too much. But Manchester's Treasurer, Mr H. R. Page, is no novice in management of his debt. In the current issue of the *District Bank Review* he stresses his dislike of being committed to high interest rates for long periods; and he has evidently decided that just over 6 per cent for eleven years is a reasonable compromise at the moment.

Wall Street's Influence

IN a thin, lifeless market equity prices in London have been drifting down; over the week to Wednesday's close *The Economist* indicator fell 7.3 points to 328.5 and the *Financial Times* ordinary index 2.2 points to 277.2. The British market has faithfully reflected the lack of drive and purpose on Wall Street, where the Dow Jones average has fallen back below the 600 mark. In both markets intermittent rallies have carried prices well above their low points in the spring. But these rallies have been based on relief that the check to the American economy has not gone further rather than on any expectation that it will expand quickly. Indeed, a strong, broadly-based advance has been constantly frustrated by the fear that, try as the governments may, it will be difficult to get the American or British economies quickly moving forward in top gear. An experienced commentator on the American economic scene, Mr William Biggs, of the Bank of New York, has been looking at the 1963 prospect and offers some conclusions that, though not positively disheartening for equities, quite clearly rule out the possibility of a bull market. Mr Biggs expects business in the United States to hold up well until the early part of next year but that after that there might be a “gently declining plateau of business” perhaps accompanied by a fall in corporate profits to the 1961 level. He also suggests that the prospects for an “important” tax cut in 1963 are not good unless business weakens seriously. Such a forecast is not likely to put steam into American equities and if things work out in this way, they could put a brake on any rise in British equities in response to official attempts to stimulate the British economy.

The August rally in Wall Street, which carried the Dow Jones average 40 per cent above the low touched in the spring, has clearly lost its momentum. It was, in any case, an irregular advance in which some stocks made little or no progress. Rises have been most marked in some of the low yielding growth stocks and some of the high yielding blue chips; and this lopsided appearance reflects the state of the American economy where profits in some companies are very high and in others extremely

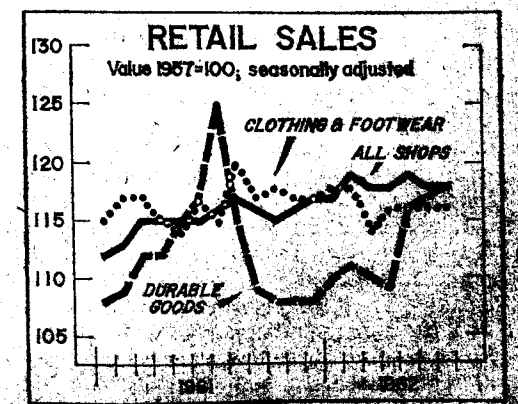
disappointing. Small investors, who were so active on the way up, have stayed out of the market and a much brighter economic outlook is needed to bring them back into it. Those pension funds, mutual funds and bank-managed trust funds which have remained active investors have been highly selective in their buying. They are still buying growth stocks such as IBM, Polaroid and Air Products which have good earnings prospects, but often as “averaging” purchases balanced by buying of defence, motor and oil stocks which offer good yields. Unless there is a marked change in economic conditions, the analysts are now saying, the Dow Jones average could range between 550 and 650; the fact that they went so woefully wrong as recently as last spring does not prevent the wide acceptance of their present assessment on Wall Street. If they are right, could there be a great forward thrust in the British market?

CONSUMER SPENDING

Poor Figures for Poor Trade

THE Board of Trade's first shot at measuring retail trade in July was badly off-course. Its index of seasonally adjusted sales has been lowered from the provisional estimate of 119.120 (1957=100) to a final 118. “Round numbers are always false” said Samuel Johnson; but not to finish up with one out of a choice of two is a statistical facer. In mitigation, the two other misfires in the last twelve months were not quite as bad: the final index differed by a point from a single provisional figure (the board does not always indulge in a range). The forecasters, therefore, have been much more often right than wrong. Faint praise, however: and this earlier estimate may prove worse than useless if it has to continue to rely heavily on the trade of the smaller shopkeepers who send in their simpler returns more quickly than large retailers. But maybe there is just a hoodoo on the retail trade statistics at present for they are in bad odour on another score—the more serious revisions that have resulted from the overhaul of seasonal adjusters.

Anyway, there it is: retail trade did not pick up in July after all. It remained



in the doldrums, the same, in volume, as in June and in the second quarter of this year, but a point lower than in the first quarter. Shop prices seem to have levelled off and the money coming into the tills in May, June and July was only slightly higher, seasonal factors apart, than during the earlier months of the year. None of the main kinds of business has been showing much life. Trade in food shops has done little more than reflect price changes; trade in clothing shops has been unchanged since April. Total turnover in durable goods shops was much the same in each of the months May, June and July; while on the credit side of this business the level reached in June was probably maintained in July. The easing of hire purchase terms three months ago has done no more for the household goods shops than switch some sales from the cash register to the credit account.

PROFITS AND DIVIDENDS

Turning the Corner?

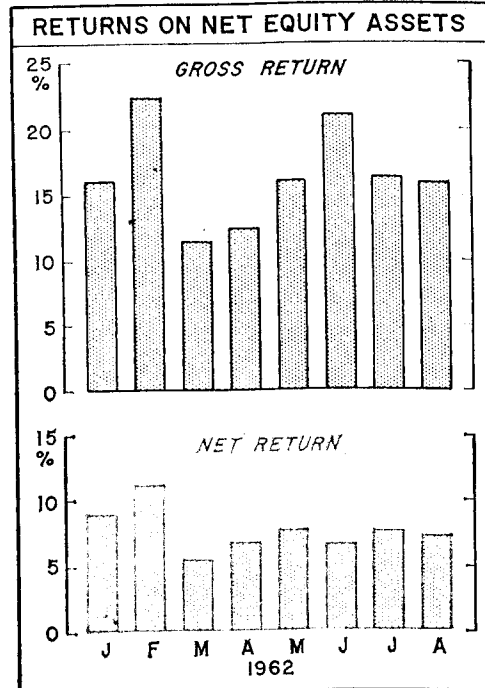
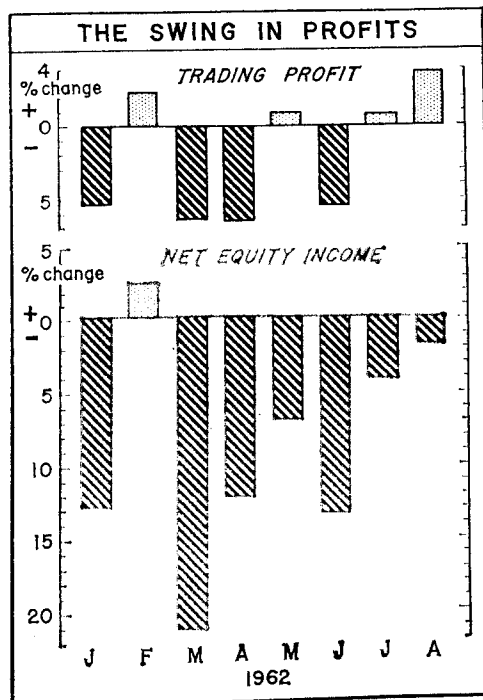
A SINGLE month's profits do not make a trend, but the accompanying charts suggest that the worst of the setback in industrial profits as a whole may have passed. Certainly, there is no great buoyancy in profits and returns on capital employed remain depressed. With the economy in third gear, a big rise in profits reported in coming months is hardly to be expected but a levelling out around the previous year's levels begins to look likely. That, indeed, happened for the 121 companies whose reports were published in August. But the table shows that although trading profits rose by 3½ per cent, there was no improvement in net equity earnings or in returns on capital employed. Among the industrial groups that had an important

The shops take only about a half of all consumer expenditure and statistical evidence about amounts spent on such things as drink, housing, transport and personal services does not go beyond the first quarter. But the hire purchase statistics provide an indication of car sales. The further small increase in July, for the third month running, in the total debt outstanding was almost entirely in the part owed directly to finance houses. New credit extended by these houses went up about 5 per cent compared with "the slight fall normally experienced between these months," and business in used cars did particularly well. In August, according to Hire Purchase Information, the seasonal decline in motor business was less than last year and for the first time appreciably more car contracts were taken out this year than in the corresponding period last year.

influence on the total results, food companies' made higher profits but brewing profits were practically unchanged; profits were higher in building and electrical manufacturing companies but lower in engineering companies.

PROFITS AND DIVIDENDS (£ million)

121 Companies reporting in August	Previous year	Latest year
Trading profit	135.3	140.4
Gross profit	101.8	102.3
Net equity earnings	47.4	46.5
Net ordinary dividends	23.2	25.2
Times covered	2.0	1.8
Net equity assets	581.7	650.6
	%	%
Gross profit/net assets	17.5	15.7
Net earnings/net assets	8.1	7.1



Cars offer the only sign of an expansionary force in this latest batch of statistics. Nevertheless, the official view is that higher incomes and some increase in credit will automatically raise spending in the second half of the year. But, without any new stimulus, can the Treasury foresee the 4 per cent rise in consumers' real expenditure that Mr Selwyn Lloyd forecast over the current fiscal year?

EXCHANGES

No August Drain

STERLING has been generally steady in the exchange markets this week, and some dealers believe that the Bank of England may actually have been taking in dollars again. The market was pleased with the good out-turn for August, showing a net gain of £4 million in the reserves, after special influences, in what is usually the worst month of the year. Indeed Britain's reserves have changed very little, again allowing for special influences, since the summer strain began: there is a net rise of £8 million over the three months June through August. This stability does not necessarily contradict the impression that short term funds have begun to flow out in a small way. But any such outflow has evidently been counterbalanced from other sources—including, without doubt, a continued foreign inflow to the gilt-edged market. This has helped to strengthen Britain's basic balance (current and long term capital account) and at the same time sterling may also have benefited from the recent improvement in overseas sterling countries—though the third quarter is a poor season for them also.

The unfortunate aspect of the August gold return is that the actual reserves fell by £24 million where they need have fallen by only £6 million. For apart from the special payment of £10 million on debts incurred in the former European Payments Union, there was a further special fall of £18 million as a result of the liquidation of the three months swap arrangement (mutual credit) between the Bank of England and the United States Federal Reserve, which had swollen the reserves of both countries by the equivalent of \$50 million when it was established in May. The London comment on termination of this agreement is that thanks to the stronger position of the dollar the agreement is no longer necessary—and it could always be resuscitated. But is the position of the dollar—or of sterling—so strong that such supports should be dispensed with at the first opportunity? No doubt the arrangement would have been maintained if the dollar had been actively under pressure; equally, one guesses that it would have been continued if the London authorities had been less lukewarm about it. One wonders now what will happen to Mr Roosa's network of agreements on the continent.

SILVER

The Rise Goes On

SILVER rose by 3½d. an ounce last week and this week has already jumped a further 3d. to 97½d. an ounce, comfortably exceeding its 1920 peak. Industrial consumers have been given many unofficial assurances since the price was unpegged last November that there would be silver enough for their needs but they must now be wondering where the rise will end. The cost of silver nitrate to the expanding photographic film industry has jumped about 20 per cent since November in line with the increased price of silver. Silver nitrate accounts for a small proportion of total costs of some film; for others it may run up to half of the final cost. Manufacturers have been taken aback at the steep rise in silver but they cannot afford to risk not buying well ahead of their requirements. There are many unknowns on the supply side, but a quick alleviation of the

pressure through the release of large quantities of silver stored in various forms throughout the world does not seem likely. Manufacturers who have been running through stocks accumulated last year have therefore been competing against speculators to cover their needs from the limited sources of supply.

Last year's tremendous weight of forward buying has not been repeated this year. In the changed circumstances of the silver market, the rise in silver looks well grounded and the market seems in no danger of a sharp reaction. Demand for silver for industrial purposes cannot be met solely from newly mined metal. On top of industrial demand there has apparently been a revival in demand for coining, which might obviously be modified by reducing the silver content of coins if the rise in silver gets out of hand.

Mexico, the largest producer of silver, bought up large quantities earlier this year to support its price after interest in silver flagged following the initial rise. It has

recently been selling off part of this stock said to amount to more than 10 million ounces. The United States Treasury was left with 32 million ounces when it suspended sales from its "free" stock last year. This was intended to be released if the rise in silver became excessive. Melting down coins and other silver valuables might produce some more metal for industrial uses. The American silver coin with the greatest intrinsic value prices the silver it contains at \$1.29 an ounce, compared with a present market price of \$1.13 an ounce, but Latin American coins are nearer the melting pot.

COTTON TEXTILES

Crossing the t's

ADMIRABLE in its way, the Cotton Board's recently published analysis "Implications for the UK Cotton Industry of Britain's Entry into the EEC" stopped

FUEL CONSUMPTION

A Ten-Year Look

WITH output static, fuel consumption was virtually unchanged last year, according to a study made by the Ministry of Power and published in "Economic Trends." But coal's share of the total fell to 71.9 per cent; in 1960 it was 74.1 per cent, and in 1951 it had been 88.9 per cent. The meteoric rise of oil as an industrial fuel has been one unforeseen feature of the decade; last year's consumption by industry of 38.6 million "coal equivalent" tons was more than 2½ times what the Ridley Committee forecast for 1959-63 and that of coal 20 per cent less, even though it set its prediction of total energy requirements less than one per cent too high. The reduction of nearly 20 per cent in the amount of coke needed to produce a ton of pig iron is another factor that has upset forecasts, for the steel industry has made 42 per cent more steel with 14 per cent more fuel; and, because its oil consumption has trebled, its consumption of coal and coal-based fuels is unchanged.

The creation of some sort of a free market in fuels in the last decade after more than a decade of control helps explain the changes in consumption; once oil had gone from shortage to surplus, the competitive position of coal proved weaker than expected. Indeed one lesson one might draw is that convenience counts for almost as much as cost, for electricity consumption rose by 120 per cent, and it is about the most expensive source of power there is. But this popularity of electricity gives coal, indirectly, its one strong point; the power stations consumed 3½ million

tons more coal in 1961 than in 1960, and they take the sort of coal that can be most efficiently produced. General industry took five per cent less, 29.3 million tons, while using 16 per cent more oil—15.9 million "coal equivalent" tons, nearly 3½ times as much as in 1951. Its consumption of electricity has doubled in the decade, while that of gas has risen by a third.

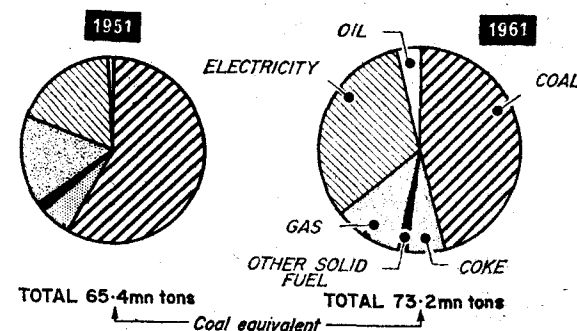
CONSUMPTION BY TYPE OF FUEL (million tons of coal equivalent)

	1951	1956	1960	1961
Coal	206.2	214.0	195.5	190.0
Oil	24.8	37.5	65.6	70.9
Other	1.0	1.3	2.9	3.5
Total	232.0	252.8	263.9	264.3

Total used to generate electricity	37.7	49.2	64.7	69.0
Total used to make gas	19.6	20.1	18.8	18.6

Domestic consumers have shown much the same pattern of preferences as industrial ones, though they are still using an insignificant if growing quantity of oil.

DOMESTIC FUEL CONSUMPTION Percentages



Coal consumption has fallen by nearly 12 per cent since 1951, while that of electricity has grown 2½ times. Gas, however, has lost ground—though "coal equivalent" figures exaggerate the trend, just as they under-estimate the rise in electricity consumption, for in both cases more is now made from one ton of coal than ten years ago. Gas consumption may now be rising. An odd feature of the domestic market is that the northerner still uses as much coal as in 1951, while sales in southern England have fallen by nearly 40 per cent since then; in the London area the fall is about 65 per cent. Tradition dies harder in the more rugged and colder areas of Britain. But there is economic sense in burning coal near to the mines, even if this cause of the drop in the amount transported must be one reason for the troubles of British Railways. Most of the oil used in homes is paraffin—consumption of which dropped by six per cent last year—with central heating accounting for only 20 per cent; the oil companies, for all their efforts, are still only selling by drops. The fortunes of electricity must seem indecently comfortable to them.

short of outspoken criticism of the quality of British management. It touched on the neglect of this and that tool of modern management, on missed chances and the deplorable relations between employers and workers in the British cotton industry. The cotton workers' latest claim for a 10 per cent rise in wages was, incidentally, passed to the Industrial Court last week following a breakdown in negotiations. But the Cotton Board could not bring itself to say of the people it represents that they simply have not got what it takes to make a success of their business.

But Mr Allan Ormerod of Ashton Brothers, the cotton spinners and manufacturers, which this week strengthened its own position in the industry by bidding for Burgess Ledward, used the platform of the British Association, meeting this year in Manchester, to say just that. The lack of ability, pure and simple, was blamed for the emergence of some of the industry's problems and for the persistent failure to find solutions. The dearth was alleged to be evident among all those responsible for the industry's well-being—the Government, trade associations, trade unions and directors and executives. Experience was reckoned a stumbling block in this industry which would do better to forget its past. However, technical graduates are rare and the industry traditionally recruits only from skilled operators to fill its management posts. As a result, good management is said to be too scarce to maintain the industry at its present size.

But if Britain enters the common market and a 17 per cent *ad valorem* duty is eventually applied to exports to this country from Commonwealth countries, the British industry will be effectively sheltered against their competition. Based on prices of sheeting in February, a 17 per cent duty would more than account for the difference of 5d. a yard between the British and the Hongkong product, though to British manufacturers current prices for even British cotton textiles are distressingly low. Wages in Hongkong have risen by 25 to 50 per cent since 1960 and hours have been shortened. Wages are higher in some cases than in countries like Greece and Spain which might get preferential treatment in the common market. It seems Hongkong's turn to worry, though its troubles are not all of its own making.

AMERICAN BANKING

Paying for Time

EIGHTEEN months ago the First National City Bank of New York announced its willingness to provide negotiable certificates of deposit in return for time deposits by corporations. Other banks quickly followed this lead and the New York money market acquired a new short-term instrument and corporate treasurers a new investment outlet for their cash balances. The

innovation has attracted a good deal of interest from bankers all over the world, in particular among British bankers faced with the same problem of attracting deposits without offering higher rates across the whole range of existing deposits. A full length study of these negotiable time certificates of deposit has been made by Mr Richard Fieldhouse, now on the staff of the New York Federal Reserve Bank.*

The certificates are issued usually in bearer form and interest is paid to the holder at maturity on the par amount. The original market in the certificates was provided by the Discount Corporation of New York; other government security dealers now trade the certificates for their customers. By July 31, 1962, the certificates issued by the nine New York City banks totalled \$1,361 million; by the end of March, 1962, Mr Fieldhouse estimates that the country-wide total was \$2.5 billion. This is a long way from the \$43.4 billion of Treasury bills outstanding at that date, but it is very close to the \$3 billion of finance company paper in the market, and already above the \$1.7 billion of commercial paper outstanding.

Previously, American banks discouraged corporate time deposits in the belief that

* Certificates of Deposit, The Bankers Publishing Company, Boston, USA.

GERMAN FINANCE

Germany's Revolving Banker

Düsseldorf
THE Schlieker affair has again switched the limelight on Rudolf Münemann, the 53 year old banker from Munich who has played a particular part in West Germany's postwar economic history. He was called in to help in finding potential investors who might be prepared to invest money in Schlieker's ailing shipyard; but he soon disappeared from the stage when he saw how hopeless this operation was, though he is said to have supported it with quite a considerable personal sum.

Shortly after the Deutschemark was established in 1948, Rudolf Münemann had a strikingly simple idea, though one not in accordance with classical banking rules. In the years of the arduous resurrection of the German economy, long-term investment capital was sought at any price, even by new and risky ways. Münemann introduced the *Schuldscheindarlehen* (debt bond), financed by money collected at banks and savings institutes and provided by him on a long-term basis to industrial investors. He reckoned that enough new money could be counted on to replace debt bonds as they expired, so that the credits would in practice revolve. Although no legal obligation rested on Münemann, as a broker, his personal credit involved the greatest possible care in arranging the money between the small banks and the industrial

they would lead to wholesale switching from demand deposits. However, businessmen have in recent years been looking on their cash flow as demanding careful husbanding and they tend to keep in their current bank accounts no more than is absolutely necessary for day-to-day operations. This first entailed a drain of bank deposits into Treasury bills, and meant a higher turnover of the remaining corporate balances. By offering corporations an investment that is relatively high yielding and marketable the banks have countered the squeeze on deposits and at the same time have made corporate deposits less volatile. The aim is to compete for funds that would otherwise go into the money market, without inducing the corporations to draw down their demand account balances. For this reason the banks issue the certificates, only in large denominations; among the bigger city banks the minimum may be as high as \$1 million.

The certificates provide bankers with a good deal of flexibility. Having lost deposits through the increasing sophistication of corporate treasurers, they are now able to ease liquidity strains and increase loanable funds by operating on that same interest consciousness. The banker can control the flow of these time deposits by varying his rates in relation to the Treasury bill rate and other money market rates. The

investor. No major mistake seems to have occurred, and the total turnover of his activities reached DM 1200 million in the most active years.

It was natural that the German banking world recoiled at such unconventional methods. Münemann complained of an attempted collective boycott by some banks; in the Bundestag there was discussion of a special "Lex Münemann" to prohibit this form of banking practice, though the bill was finally abandoned. West Germany's anti-cartel board had to intervene, and finally Münemann achieved a favourable compromise with the banks. Then several other credit institutes introduced *Schuldscheindarlehen*, and the brokers' profits became correspondingly smaller.

In the last few years Herr Münemann therefore turned increasingly to direct financial investment. His main instrument in which he holds the majority of the stock was the *Investitions und Handelsbank* in Frankfurt, which has done business of DM 600 million a year. Bank connections with London and New York consolidated his position. His industrial interests have been extended to the big textile factory of Müller's in Wipperfurth, a big watch factory and Germany's biggest dealers in used cars in Düsseldorf. And a third area where Herr Münemann has recently extended his interests is in development aid.

1862 1962

Markets to touch down on

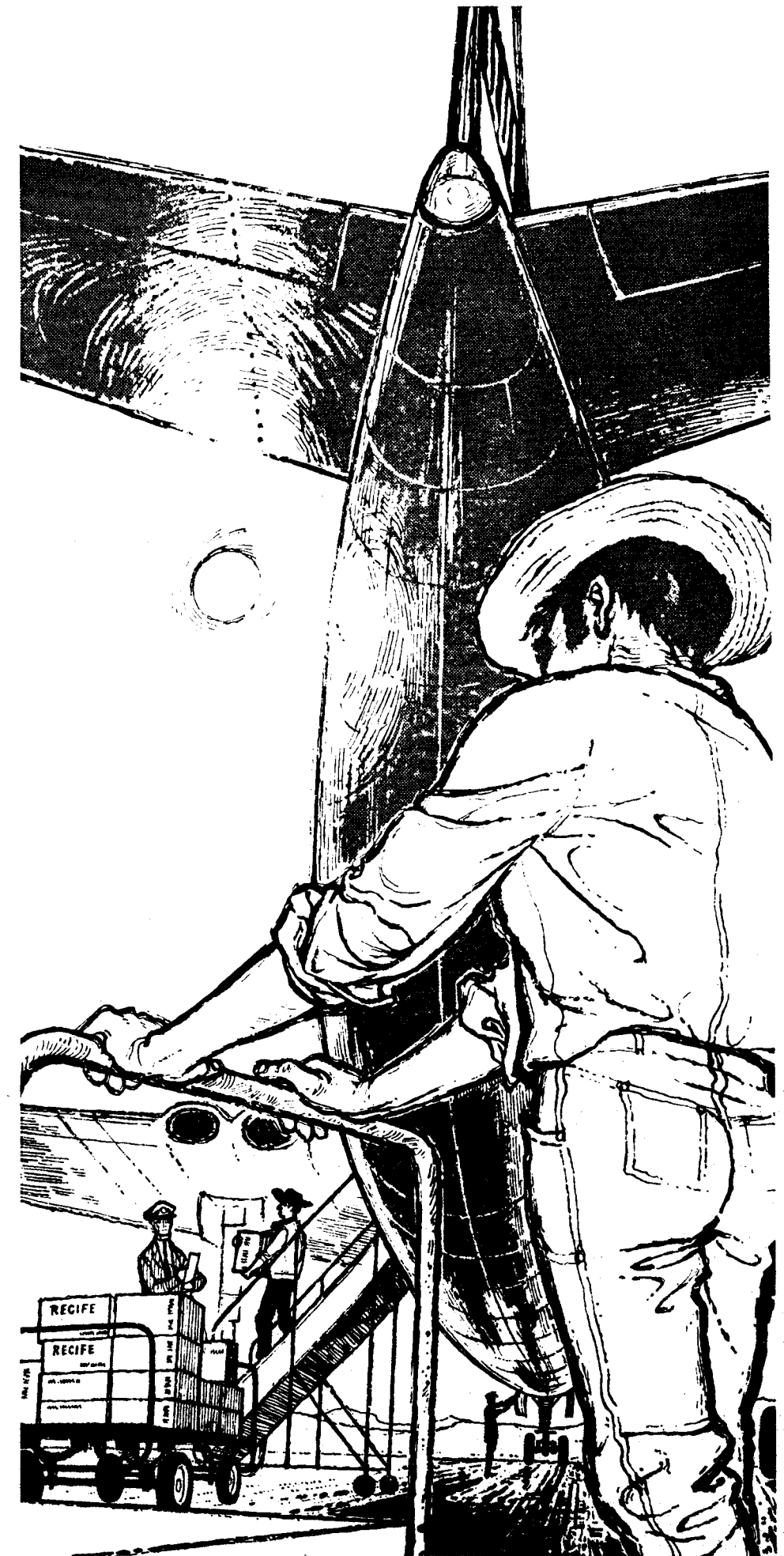
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Federal Reserve, however, imposes an upper limit on these rates under Regulation Q. In November, 1961, the three months Treasury bill rate rose above the Regulation Q limit of 2½ per cent on deposits of 90 days to six months; and as a result certificates outstanding with nine New York banks declined by \$200 million in the ensuing two months. On January 1st maximum rates on deposits from six to twelve months were increased from 3 to 3½ per cent, and with 182-day bills currently yielding 2.9 per cent the banks are in a strong position to compete for six-months' money.

ITALIAN DRUGS

Bonanza Near its End?

Milan

ITALY'S days as a haven for manufacturers of pharmaceuticals may well end, once the country's first drug patent law is passed. Italy has been the only major country in the world without patent protection for drugs. Any pharmaceutical company can obtain information on any registered drug for a modest fee through the Italian Ministry of Health. A producer of pharmaceuticals has described the method: "In Italy, where there are no patent laws governing pharmaceutical products, it is simple and perfectly legal to get copies of pharmaceutical product patents and read the scientific literature on new products. With the data derived from reading this material, any competent pharmaceutical chemist can duplicate the original product. The process used may be a little more or less expensive, but, generally, the desired end result can be attained with comparative ease."

The result has been the mushrooming and prospering (with no need to embark on research) of about a thousand pharmaceutical firms, including two dozen distributors who, with little or no overheads, have created a highly competitive market, and have evoked angry charges of piracy from foreign pharmaceutical firms. The absence of a patent law has been credited with helping the development of Italy's pharmaceutical industry, unburdened by costly investments in research and personnel. This is perhaps true at home, but since Italian pharmaceutical companies have reached international stature, they have had to invest heavily in research to compete on world markets. To protect their interests, they have themselves recently been pressing for a drug patent law. Italy's major drug companies, it has been said, resemble an old man who, having had his fill of fun, starts to moralise.

The fact is that Italy's pharmaceutical industry is now considered one of the best in the world and the lack of drug patent legislation smothered all incentive to do the research needed for its survival and future progress. Moreover, the pressure by the Six on Italy to align its drug patent laws with those of the other member

BUSINESS NOTES

countries has been mounting to the point where measures can no longer be postponed. A Bill protecting pharmaceutical processes and products has been drawn up by Emilio Colombo, Minister of Industry and Commerce. If and when the new law goes into effect—though opposition, it should be noted, appears to be growing—there will be a major shake-up in the Italian pharmaceutical industry, with mass mergers of the smaller concerns and the departure of many other proprietors of so-called "pharmaceutical" companies with the capital they have accumulated during the years of prosperity.

ANGLO-PORTUGUESE BANK

Sir Isaac in Banking

SIR ISAAC WOLFSON seems to have decided, like so many wealthy men before him, that becoming a banker can add just that something to an already successful career, as well as being profitable. Sir Isaac already has a half share in Ralli Brothers (Bankers) through the Wolfson Foundation; now he has purchased the equity capital of the Anglo-Portuguese Bank from the Banco Nacional Ultramarino (the State Bank for the Portuguese overseas provinces, except Angola, which means in effect Mozambique and a few other outposts like Macao scattered around the world).

The purchase is a private transaction—no price given—on behalf of the Wolfson family trust and the shares are held by the trustees, Sir Isaac and Lady Wolfson. The bank will remain the sole representative of the Banco Nacional Ultramarino for at least the next ten years—out of total deposits of just over £15 million on January 31st last, some £4.3 million came from that bank. Disclosed profits last year were £92,000, compared to £75,000 the year before; five years ago they were £55,000. The change in ownership has not entailed any change in the management, although Mr Felix Neubergh has taken over from Viscount Davidson as chairman of the bank.

Negotiations between the Banco Nacional Ultramarino and Sir Isaac took eighteen months. The reason for the sale seems to be the same as for the earlier sale to Brazilian interests of another subsidiary, Banco Ultramarino Brasileiro, namely that the parent bank's monopoly in the Portuguese overseas provinces forbids branches or subsidiaries elsewhere in the world. If this is so, the bank's one remaining subsidiary, Banque Franco-Portugaise d'Outre-Mer, may soon be looking for buyers.

ELECTRIC HEATING

Radiating Bricks

WARMTH is the convenience that Britons now most desire. Their efforts to obtain it in old and chilly houses have relied, to an extent that has embarrassed the

THE ECONOMIST SEPTEMBER 8, 1962

electricity industry, on electric fires—which have heightened the demand peaks in the mornings and evenings and have overstrained the distribution systems in the older residential areas. Floor warming helps to spread the load in new buildings, but can hardly be applied to existing houses; so the industry is now launching a big campaign to persuade the public to buy storage heaters that also use off-peak power. These heaters cost much more than electric fires—about £35 for one giving an output of one kilowatt and having no direct control over output, and £60 or so for a more elaborate unit with controllable output—but they are cheaper to run.

The principle of the heaters is simply that of a hot brick enclosed in a metal cabinet: a lump of concrete or fireclay contains an electric element, which heats the block to a temperature of about 400° centigrade. After the current is cut off, this heat is gradually dissipated into the room; on more expensive models, the casing is insulated and the flow of air past the block is controlled by a damper or a fan, so enabling the heat to be more effectively stored until it is wanted. These heaters need to be charged only at night, when electricity costs about ½d. a unit; the uncontrolled type needs to be "topped up" by an afternoon charge, taking advantage of a dip in the load curve and usually of some reduction in price—so that the average charge works out at 0.80 to 0.85d. a unit.

These heaters are being sold on an advertising slogan "Central heating for £60"—the cost of two heaters with a combined capacity of 1.6 kilowatts, or enough to give background heating in a hall and one room, or full heating in a smallish sitting room. Six heaters, described as "lavish" in a four-bedroomed house, would cost £180 and could provide only background warmth, with the need for supplementary heating in cold weather. In terms of capital outlay for a given output of heat, there seems little to choose between storage heating and central heating by hot water radiators—though the cost of the latter will vary more from one installation to another. Running costs are even more difficult to compare; storage heating should be a little cheaper than underfloor heating, as no heat is lost into the ground, but it is still likely to cost more than solid fuel or oil. But the simplicity of installation and running should attract customers.

WATER POLLUTION

Clean Water

WATER is so essential a part of people's lives that they take it for granted. It is the water engineer's concern that they should be able to do so—rather than have it forced on their attention by smell, colour or a habit of foaming in rivers. The problem of preserving water's neutrality becomes increasingly difficult as the population rises and industry becomes



ALWAYS BUSY—BUT GLAD TO SEE YOU

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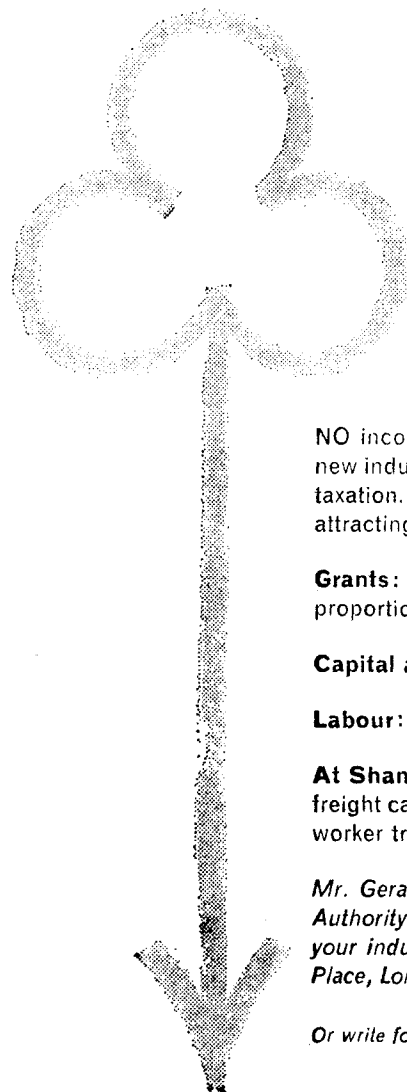
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more complex. The study of water pollution and ways of dealing with it is now an established science. This study began in England where pollution of rivers first became an urgent problem and where some of the first answers were found. It was for these reasons that the first International Conference on Water Pollution Research was congratulated on its "rare discretion and warm sense of history" by Professor G. M. Fair of Harvard when it met in London. In his introductory speech, Professor Fair asked: how has the revolution in science and technology placed water supplies under stress? This problem and attempts to solve it were discussed in the conference, which was divided into three sections: pollution of fresh water, treatment of sewage and pollution of the sea.

Biological methods of dealing with sewage are now extremely efficient; the problems remain of making them cheaper and able to deal more quickly with the enormous volumes of sewage generated by modern cities. Under special circumstances sewage treatment can be made profitable—as Bradford Corporation knows, for it extracts lanolin from it. Some research carried out in California now suggests that cultivating algae in sewage may be an efficient way of producing a nutritious animal feedstuff, and of purifying the water at the same time.

The streams and rivers into which effluents are discharged are all too easily exhausted of their capacity to deal with pollution and its long-term effects on river life are being studied. Even the sea is not free and the temptation to dump things in it is rarely resisted. Oil on beaches is one price we have to pay; so are two recent outbreaks in the USA of hepatitis, traced to polluted oysters and clams.

AUSTRALIAN BANKING

New Price for Banking

IN three weeks' time Australians will have to start grappling with a new set of bank charges which the Australian Bankers' Association has just agreed on. The changes will clearly raise charges generally and not insignificantly, as the market has been quick to appreciate. In London the shares of the Australia and New Zealand Bank have risen 4s. 6d. to 46s. 3d. and the Bank of New South Wales £2 to £34½, since the Austra-

THE NEW CHARGES (per quarter: Australian pounds)			
Activity Charge (40 entries per page)		Collection Charge	
Number of pages	Charge	Number of cheques	Charge
1	2s. 6d.	20	Free
1-1	7s. 6d.	21-100	5s.
1-2	£1	plus 2s. 6d. for every 10 cheques over 20	
6-7	£7	101-500	£1 5s.
		plus 12s. 6d. for every 50 cheques over 100	
35	£29	Over 150,000	£875
plus 10s. for each page over 35		plus £30 for each extra 20,000 cheques	

lian papers first published unofficial reports of the changes on August 20th.

Under the existing system "low activity" accounts using less than one ledger page (forty entries) in a half-year are charged ten Australian shillings and accounts with more than forty entries in a half-year pay £1 per half-year. It is as simple as that: no allowance is made for any credit balance and a person with forty-one entries pays the same as a firm with forty thousand. There is, however, an "inland exchange" charge. The charge here is based on zones within and between the states and varies with

the number of zones crossed. Between Victoria and Canberra the charge is 2s. per cent; between Victoria and New South Wales it is 2s. 6d. per cent.

Under the new system, as shown in the table, there will be three sets of charges: a basic quarterly charge of 5s.; an activity charge; and a new collection charge to replace the inland exchange. Someone with 40 entries a half-year at the moment pays 3d. an entry; under the new system the charge will rise to about 7½d. At the same time a firm with 2,800 entries a half-year at present paying only £1 for the whole lot

BANK OF CANADA

The Governor's Evidence

CANADA is clearing its thinking on economic affairs. Last year's painful conflict between the Minister of Finance and the then Governor of the Bank of Canada, Mr James Coyne, led quickly to the setting up of the Royal Commission on Banking and Finance. The new governor of the bank, Mr Louis Rasminsky, recently submitted written evidence to the Commission; it comes through clear as a bell.

Mr Rasminsky usefully includes in his evidence the statement he made in August, 1961, immediately after his appointment; the present document is essentially a careful development of his views on the bank's job and its position in relation to the government. Monetary policy, fiscal policy, and debt management should, in Mr Rasminsky's view, form a mixture that is "interdependent and to some extent interchangeable," aimed at influencing demand and the level of activity. Just how the ingredients are mixed must depend on the results that are sought and the speed with which they are expected to take effect. One of the bank's responsibilities is to express its views to the government on this blend of policies "on occasions even to the point of nagging." But, says Mr Rasminsky, in the final analysis the bank "must take the government's expenditure, taxation, and debt management as given" and tailor its monetary policy accordingly. If the governor felt that "he could not in good conscience" carry out the appropriate policy, "his duty would be to resign and to make way for someone who took a different view."

Mr Rasminsky sees his job as regulating "credit and currency in the best interests of the economic life of the nation." His method is to operate through the cash reserves of the chartered banks—fixed by statute at 8 per cent of deposits—by buying and selling "a broad range of financial assets." In Canada it is not the volume of Treasury bills that is regarded as the effective base for bank credit but the volume of bank cash reserves. Mr

Rasminsky prefers to control credit indirectly through open market operations in short dated paper, believing that "central bank operations should leave as much room as possible for the exercise of private judgment" in determining the term and allocation of credit. But Mr Rasminsky admits that there may be occasions when the central bank might need more powerful weapons. If disorderly conditions arose in the security markets, or "where a change in the interest rate differentials between Canada and the United States was a matter of importance," the bank would be prepared to intervene directly in the medium and long-term security markets. Mr Rasminsky rejects the idea of continually and directly influencing the level and structure of interest rates, on the grounds that the cash reserves held by the banks would become "a by-product rather than a focal point of the central bank's open market operations." Such an approach would require the virtual fusion of debt management and monetary policy.

If the more conventional control produced a too rapid rise in interest rates, Mr Rasminsky would in the last resort prefer "to vary the cash reserve or liquid assets ratio or resort to moral suasion or selective credit controls than to allow inflationary processes to proceed without further resistance." But he has clear hesitations about such sanctions: to impound the banks' liquid assets is of limited use because the unsuccessful applicants for bank credit would turn up "elsewhere in the market to press their demands for credit." There is the further disadvantage, and this objection should find echoes from British bankers, "of being discriminatory if they apply only to the banks." The same arguments, in the governor's view, condemn moral suasion, where there is also the difficulty of "disengagement." The Bank of England gets around this problem by never formally announcing disengagement at all—the suasion is allowed to fade away.

will now pay the full £A29 a quarter or about 5d. an entry. There will, however, be a rebate system for credit balances rising from one free ledger page for a minimum balance of £A300 to five free pages for £A2,500 and an extra page for every £A500 over that amount.

SUGAR

Testing Time

THE price of sugar has never been easy to define as the International Sugar Council has discovered in fixing a representative price for its own guidance while it still possessed some standing in the world sugar trade. Since the new sugar legislation came into force in the United States in July, American prices have flown off at a tangent compared with their London counterparts. The New York world contract has gained more than £3 a ton on the London spot price since then. Prices for October deliveries are slightly higher than spot values in New York, though prices are lower than spot values for deliveries next year. By contrast, prices for deliveries up to the end of this year on the London terminal market are lower than the daily price, though prices for deliveries from March onwards are higher.

The pull of the American market has attracted much of the available cane sugar in the western hemisphere. About 350,000 short tons of sugar for which quotas in the American market had been allocated could not be supplied by the intended producers. Puerto Rico was 250,000 tons short of its allocation. Part of the shortfalls have been redistributed to other suppliers, the Philippines, British West Indies and Dominican Republic being the principal beneficiaries. But American requirements were also raised by 200,000 tons to 9.9 million short tons at the end of last month, of which the greatest part was offered to producers in the western hemisphere on the basis of first come, first served at the American market price less the import fee of 2.4 cents a lb imposed under the new Sugar Act.

This limited free market for sugar offers around one cent a lb more than the American "world" sugar contract. As American importers are worried by a threatened strike by longshoremen, it is being argued that the import fee should be cut to attract more sugar. Sugar on the global quota would therefore be still farther divorced from the open market. In the straight reallocation of unused quotas to producers who pay only the 10 per cent import fee this year as dictated by the Sugar Act, preference has apparently been given where possible to producers who will take American agricultural produce in return. But the suppliers now seem to be regaining a little of their lost grip on the market, and consumers cannot now dictate terms quite so easily.

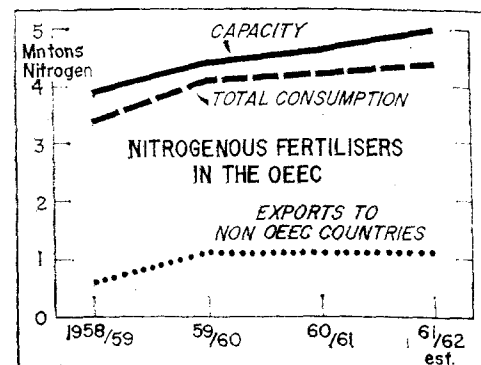
World stocks of sugar might have been cut by more than 20 per cent over the past year, and the European beet crop is likely

to be smaller than last season's, which excluding Russia, was itself nearly 3 million tons lower than in 1960-61. But the London market has not improved much further since the initial rise which followed details of America's revised sugar importing arrangements. The threat of cut-price sugar from communist countries persists, and there appears to be enough cheap sugar available to satisfy buyers without forcing up its price.

FERTILISERS

Too Much Nitrogen

THE 11th OECD report on fertilisers in Europe, recently issued, makes clearer the background against which the European nitrogen export cartel, Nitrex, was formed. Plant capacity continued to rise, by nine per cent to five million tons a year by the middle of last year, while total demand rose by less than five per cent to 4.4 million tons. Consumption within the OEEC (western Europe plus Greece and Turkey) rose by slightly more, by six per cent; the weak point was exports to countries outside the OEEC which have remained at about 1.1 million tons for three years. (Although the report was issued by the OECD it refers



to the old OEEC group.) Pressure to export is likely to increase as new plants within the OEEC are built: Spain, the largest importer of nitrogen fertilisers (some 165,000 tons 1961-62), should be self-sufficient in a few years; new plants based on natural gas in France have transformed it into an exporter. But plants are also being built outside the OEEC, and although demand for nitrogen will inevitably increase it is hard to see how the new production will be absorbed.

By spreading orders among its members Nitrex may ensure that none is too severely affected by the conditions of surplus. If all were primarily fertiliser manufacturers, plants could be operated below capacity. But it is not possible to cut back manufacture of some fertilisers, namely by-products from other processes, such as steel or gas making. (This comprises the larger part of Belgium's output.) Will Nitrex allow such producers to sell their fertilisers when other members are forced to cut back their production? It will be interesting to see how it copes with the next years of surpluses, and in particular how it solves the problem of by-product nitrogen.

SHIPBUILDING

Rationalising Ship Design

WORK on the design and drawings can absorb as much as 6 or 7 per cent of the total cost of a "tailor-made" cargo liner, although this can be spread over a series if no changes are made in repeat orders. The difficulty, in the past, has been to persuade different owners of cargo liners to avail themselves of the advantages of a good measure of standardisation. The Swan Hunter group of shipbuilders and marine engineers has now produced a basic design for a modern cargo liner of 10,000/12,000 tons deadweight capacity, which it can offer at a price between 10 to 15 per cent less than the normal cost of a tailor-made design. Shipowners have pleased Swan Hunter with their interest, but have yet to convert it into orders. It has also designed a bulk carrier of about 22,000 tons though no details have been announced, and it is also planning a tanker.

Acceptance by the shipbuilders of the original cost of drawings and design accounts for some of this saving; but other savings have been made by the reduction or elimination of features that do not in any way contribute to the efficient operation of the ship, by the use of new materials, and by the introduction of certain new design features and shipbuilding techniques. An important feature of this project is that the designers have deliberately avoided falling into the easy trap of concentrating on producing a ship which is cheap to build, but only at the expense of subsequent operating and maintenance costs. In fact, one of the objects of this design is to enable reductions to be made in the number of crew required, at the same time increasing their standard of accommodation.

On the technical side, an interesting feature is that the hull form is efficient over a range of speeds from 14 to 17 knots, and two alternative sets of Sulzer diesel engine installations are provided according to the speed required. In addition to the basic design, a number of "standard extras" are offered (at additional prices, of course) in the form either of items tending further to reduce operating or maintenance costs, or of items required for particular service conditions. Altogether this is an imaginative attempt to attract the attention of hesitant cargo liner operators; and it is good news for British shipbuilding that the group proposes to apply the same sort of treatment to other types of merchant ship.

PLASTIC FILM

Between the Sheets

HARDLY a week passes without a "new, vital" use of polythene film being announced. And it usually is new and vital—that is the astonishing thing about

the active world of WOODALL-DUCKHAM

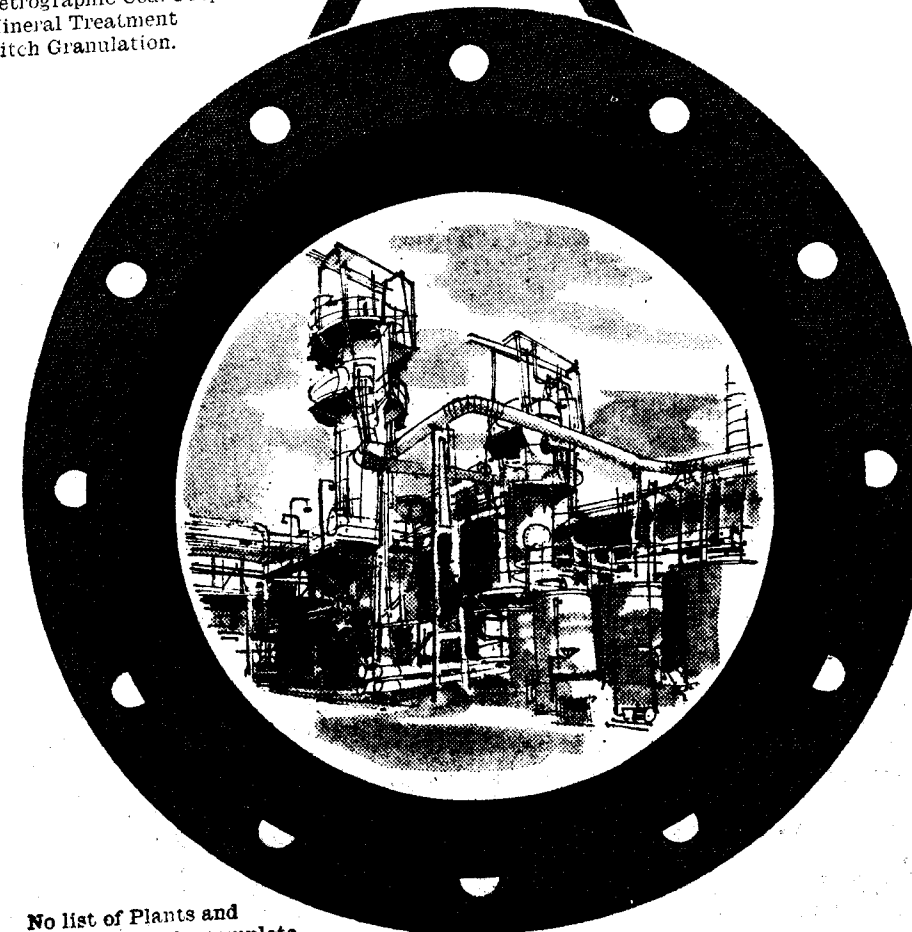
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Carbon Monoxide Conversion
CO₂, COS and H₂S Removal
Catalytic Gas Reforming
Coke Ovens
Continuous Vertical Retorts
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Coal and Coke Handling
By-Products Recovery
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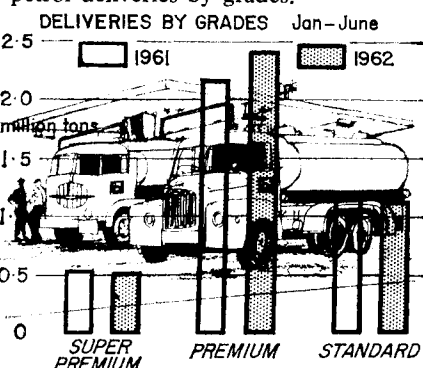
the business. British Cellophane recently announced that a shipping line has been laying sheets of polythene between cargoes to separate them at different levels. It has also used them for wrapping up powdery materials, such as Fullers earth or painters' colours, to prevent them from sifting around. Not surprisingly, the film was found to be more efficient than the conventional materials previously used, such as bituminised sisalcraft and burlap. Not surprisingly, the shipping line will separate all future cargoes in this way.

What is surprising is that nobody thought of it before. But this is a standard reaction to many uses for the film, for instance, bags for dry-cleaned clothes. One used to collect them un-bagged; now 500 tons of polythene film a year is sold for the purpose, and this is expected to increase to 2,000 tons by 1970. Gramophone records are invariably in plastic bags; toys, mattresses, kitchen utensils, frozen foods—all appear wrapped these days, where previously they were sold uncovered. This has been the main, and most gentlemanly, characteristic of the growth in polythene film sales so far: it has made its own market.

In this country, sales of flexible films increased from 58,000 tons in 1958 to 73,000 tons last year; sales of polythene film increased by 35 per cent, to 23,000 tons, and of cellulose film, the main packaging film, by 29 per cent to 40,000 tons. Of the polythene film sold, three-quarters was used in packaging and this is where most of the effort to increase sales is directed. New types of film have been developed and new machines designed to extend the uses of old. Among the new materials are films that have been stretched in manufacture and which when heated shrink to their former size, and others which

BRITISH OIL CONSUMPTION

British oil consumption rose by 11.1 per cent (to 25,705,000 tons) in the first six months of this year against last year. Nearly 14 per cent more black oils were consumed; these now account for about 60 per cent of the total. Demand for motor spirit rose by only 4.4 per cent; consumption of standard and super premium grades is falling, and the oil companies have lately reduced the price and raised the quality of the former. The chart breaks down petrol deliveries by grades.



will stand boiling water and are used to make "boil-in-the-bag" packages for frozen foods. Machines have been developed which form, fill and seal bags from flat sheet, previously printed. But the biggest potential is thought to be in heavy gauge sacks, of the sort normally made from paper. It has only recently become possible to make polythene sacks cheap enough to compete. (They now cost 1s. 1d. compared with 10½d. for paper.) Interest in these tough, waterproof sacks is such that British Visqueen, for one, is to instal plant (primarily to produce them) which will make it the largest manufacturer of polythene film in Europe.

New uses are also being found for flat sheet, which in the USA accounts for twice

as large a share of the market as in Britain. Used as a weather cover, it is familiar to watchers of building sites; its use in road-making is probably less so. It is laid below the top surface of the road to prevent it from drying out before properly cured; miles of sheet have been used in this way on the Medway motorway. It is also laid under concrete as a damp course. There are many outlets for it on farms: in America, it is used as a mulch, laid on the soil to keep in moisture, but this will not be an important outlet in Britain except in some uses in market-gardening. The inventive film-makers will continue to find uses for their product, and manufacturers of polythene—so sadly over-produced—will continue to be grateful to them.

SHORTER NOTES

The Department of Scientific and Industrial Research has placed a contract with the Manchester College of Science and Technology for a study of the structure and economy of the British building industry. To be finished by 1965, the study will cover technical developments, contract procedures, productivity and quality. The committee guiding it will contain representatives of the college, the DSIR, the Ministry of Public Building and Works, and of the professions or industry.

In its formal offer of four of its shares for every five in Lobitos, Burmah Oil has said that its profits this year will not be less than they were in 1961 and that its dividend will not be less than 2s. 1d. tax free per share paid for 1961. The profits of Lobitos this year will compare favourably with those in 1961, the decline in profit margins at home being offset by the extensions and modernisation of the Ellesmere Port refinery and by a rise in profits from Canadian natural gas. In Peru, the year's trading is expected to be favourable. Mr. F. T. Bowring and other directors of Lobitos have only a small interest in its stock; C. T. Bowring and Company, in which Mr. F. T. Bowring has a shareholding interest of 2½ per cent, owns £50,025 of the Lobitos stock.

Bills drawn on German exporters will in future be rediscountable by Privatisierungsbank, the special discounting institution founded two years ago; hitherto it has accepted only import bills and those drawn for transit dealings.

Undercutting by other retailers has persuaded the London Co-operative Society, under Mr John Stonehouse, to change its own price-cutting methods. Direct price-cutting will replace the traditional dividend at self-service stores, and an "instant divi-

dend" of 6d. in the £ will be paid in other shops in the coming financial year, independently of trading results.

New commissions for private architects in the second quarter of this year were worth £264 million, four per cent more than they had been a year before. There was a sharp rise in commissions for houses from private developers and a slight increase in those for office building, matched by a drop in commissions for factories and from public authorities. These figures help confirm the impression that the building industry is now in a static state after the hesitations of last summer and autumn.

Through its subsidiary, City Centre Properties (Europe), City Centre Properties has acquired a half share of the capital of Union Internationale Immobilière, a French property company whose shares were introduced on the Paris Bourse in August.

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Brazil

The review discusses Brazil's serious balance-of-payments predicament, now aggravated by political uncertainties, and the fumbling attempts by the authorities to shore up the sliding value of the cruzeiro. Meanwhile, it notes that foreign investors are being deterred by more manifestations of economic nationalism as epitomised in the fate of the controversial Profit Remittance Bill.

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KREDITANSTALT FÜR WIEDERAUFBAU (Reconstruction Loan Corporation) FRANKFURT-ON-MAIN GERMANY

BALANCE SHEET AS AT 31st DECEMBER, 1961

ASSETS			LIABILITIES		
	DM	DM		DM	DM
1. Cash Reserve:—		16,793.10	1. Creditors:—		
(a) Cash in hand			(a) Federal Republic of Germany	5,277,295,646.91	
(b) Balances on Giro Account at the Deutsche Bundesbank and on Postal Cheque Account	15,644,353.37	15,661,146.47	(b) Lands of the Federal Republic	373,300,000.00	
2. Balances at Banks:—		3,151,166.21	(c) Deutsche Bundesbank	4,397,225.00	
(a) Sight balances	475,700,000.00		(d) Other lenders	721,792,926.67	
(b) Due within 3 months or later	5,350,000.00	484,201,166.21	(e) Interest: proportionate interest due interest	5,482,308.35 89,081,826.18	
3. Bills of Exchange and Promissory Notes:—			(f) Other liabilities	94,564,134.53 55,221,549.23	6,376,785,798.58
Foreign promissory notes (Roukela)		83,146,805.72 321.95	2. Promissory Notes		
4. Cheques		1,551,402.50	3. Bonds, etc., in Circulation:—		
5. Securities:—			(a) Bonded loans:—		
(a) Own bonds, at par value DM 1,587,800.00		1,368,700.00	5½% Reconstruction Loan 1949	112,500,000.00	
(b) Other fixed-interest securities	641,415,160.00	644,335,262.50	3½% Housing Loan 1949	2,400,000.00	
(c) Foreign securities			6% Loan 1958	100,000,000.00	
6. Debtors:—			5% Loan 1959	150,000,000.00	
(a) Loans granted: to banks, for passing on to borrowers	3,892,625,490.72 3,013,323,033.36	6,905,948,524.08	6% Loan 1961	150,000,000.00	514,900,000.00
(b) Interest: proportionate interest due interest	9,737,202.23 55,051,560.86	64,788,763.09 2,187,503.68	(b) Medium-term notes:—		
(c) Other claims		6,972,924,790.85 10,015,000.00	4½% 3-year Notes 1959	10,000,000.00	
7. Capital not yet paid up		1.00	4½% 3-year Notes 1960	50,000,000.00	
8. Participations		1.00	4½% 3-year Notes 1961	20,000,000.00	
9. Real Estate and Buildings			3½% 4-year Notes 1959	150,000,000.00	
10. Office Furniture and Materials			4½% 4-year Notes 1961	61,500,000.00	
11. Items for the purpose of distinguishing between separate Accounting Periods		14,241,929.38	4½% 4-year Notes 1960	150,000,000.00	521,500,000.00 38,086,800.00
12. Loans channelled to Borrowers on a Trust Basis:—		1,509,776,691.22	(c) Drawn bonds		
(a) in our own name	311,010,461.30		(d) Interest: proportionate interest due interest	9,409,741.10 9,805,279.00	19,215,020.10
(b) in the name of others		109,329,816.49	4. Capital Funds:—		
(c) other trust transactions in our own name		1,619,106,507.71	(a) Capital	1,000,000,000.00	1,093,701,820.10
13. Customers' Liability on Guarantees	509,021,196.47		(b) Reserve formed from resources of the ERP Special Fund	163,331,448.00	
		10,693,632,932.79	(c) Legal Reserve	125,000,000.00	
			(d) Special Reserve	21,593,831.59	1,309,925,279.59 12,321,760.10
			5. Reserves for Special Purposes		
			6. Items for the purpose of distinguishing between separate Accounting Periods		7,006,082.95
			7. Loans channelled to Borrowers on a Trust Basis:—		
			(a) in our own name	311,010,461.30	1,509,776,691.22
			(b) in the name of others		
			(c) other transactions in our own name	109,329,816.49	1,619,106,507.71
			8. Liabilities in respect of Guarantees	509,021,196.47	
					10,693,632,932.79

PROFIT AND LOSS ACCOUNT FOR 1961

EXPENDITURE		RECEIPTS	
	DM		DM
1. Operating Expenses	5,918,565.60	1. Interest received in excess of interest paid	31,014,746.31
2. Depreciation: on real estate and buildings	228,555.69	2. Other receipts	7,279,112.75
on office furniture and materials	183,283.10	3. Extraordinary receipts	16,530.46
3. Allocation to Reserves for Special Purposes	411,838.79		
4. Other Expenditure	200,000.00		
5. Net Profit for 1961 (transferred to Legal and Special Reserves)	24,578,463.27		
	38,310,389.52		38,310,389.52

Frankfurt-on-Main, 12th March, 1962.

According to the conclusive result of our audit, which was duly carried out on the basis of the books and records of the Reconstruction Loan Corporation as well as of the explanations and statements supplied by the Board of Management, the bookkeeping and the Annual Statement of Accounts as at 31st December, 1961, are in accordance with the provisions of the law.

Frankfurt-on-Main, 30th March, 1962.

Reconstruction Loan Corporation
DR. MARTINI ROHDEWALD
DR. RIECK DR. GUTH BACHEM

Deutsche Revisions- und Treuhand-Aktiengesellschaft
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LOWER PROFIT FROM REDUCED REVENUE, GREATLY INCREASED COSTS AND DEVELOPMENT EXPENDITURE ON NEW SUBSIDIARIES

SIR ROBERT RENWICK CRITICISES ATTACK ON ADVERTISING

The seventh annual general meeting of Associated Television Limited will be held on September 26th at ATV House, Great Cumberland Place, London, W1.

The following is the statement of the chairman, **Sir Robert Renwick, Bt, KBE**, circulated with the report and accounts for the year ended April 30, 1962:

You will see from the Consolidated Profit and Loss Account that the profit of the Group before taxation is £5,038,204 as compared with £6,411,899 for the previous year. This profit is after charging all expenses including depreciation. The provision for depreciation of £439,986 shows an increase of £157,463 as compared with the previous year, due to the fact that this is the first year in which is charged a full year's depreciation on new equipment at our Elstree Studios.

After making allowance for taxation of £2,658,935 and the interests of outside shareholders, there is left a profit of £2,387,884 attributable to ATV.

The amount retained in subsidiary companies is £113,708 and the balance brought forward from last year is £1,859,608 making £4,133,784 available for appropriation.

An interim dividend of 20 per cent has already been paid and your Directors now recommend that a final dividend of 40 per cent be paid again this year. If this recommendation is approved, there will be left a balance of £2,424,909 to be carried forward in the Accounts of the Parent Company.

BALANCE SHEET ITEMS

Turning to the Consolidated Balance Sheet it will be noted that under the heading of Fixed Assets there have been increases both in Land and Buildings and in Plant, Equipment and Motor Vehicles. These are attributable to our new studios at Elstree which are now completed and fully equipped. Whereas the total of Trade Investments has not altered materially, it will be noted that Quoted Shares have increased and Debentures and Loan Stock have decreased. This is mainly due to the conversion into shares of the £500,000 Convertible Loan Stock in British Relay Wireless and Television Limited.

We already have in our Balance Sheet an investment reserve of £500,000. Taking our Trade Investments and Investments in Subsidiary Companies together, your Directors are satisfied that the present investment reserve is adequate.

FACTORS AFFECTING PROFIT

The reduction in Group Profit for the year is due to three main causes—greatly increased cost of operations, reduction in advertisement revenue and losses made by subsidiaries in early stages of development.

We believe that in time our subsidiaries will make a very useful contribution to the income of your Company. We have never stated, as I have seen reported, that our Company could maintain its present dividend from sources other than the profit which we make as television programme contractors. Our profit at present comes mainly from our operations as contractors for Saturday and Sunday in London and for the five weekdays in Birmingham and the Midlands. These two broken periods are economically far from ideal.

VALUE OF SEVEN DAY OPERATION

We advocate a policy of real competition in commercial television through an additional commercial channel. If we were to have a seven day operation, not only would there then be real competition, but we would be able to use to the fullest degree, both at home and through our export subsidiaries, the new studios which we have constructed at Elstree, which are the equal of any in the world.

Our purpose is to provide good television, and by ploughing back profits into the studios at Elstree we have supplied concrete evidence that we are making in the field of television production the sort of contribution which the Government must have believed in when we were appointed. Nevertheless it must be appreciated that though we have been able to improve programme standards by bringing into operation the new studios at Elstree with their complex and up-to-date equipment, this has not been achieved without at the same time increasing production costs. Similarly the awards which have been made as a settlement of the Equity strike are also contributing to increased day-to-day costs of putting programmes on the air.

Last year my predecessor in his statement said: "We confirmed to the Pilkington Committee that we accepted the recommendations of the Television Advisory Committee for the adoption of 625 lines as the British standard. In order to give effect to this we offered, on the days we were not broadcasting in London, to put out a new programme on 625 lines in the UHF band which would carry in addition one hour a day of 625 line colour broadcasting—all at our own expense. Surely this would be a great contribution, and something that would give encouragement to the scientists, the technicians, the script writers, the producers and all the many people who will benefit from an expansion of television broadcasting."

CONTRACTORS' PROFITS

There has been a great deal written about the profits which contractors have made. It is surprising to me that, when a contractor offers to divert a large slice of its profit and to plough it back into advancing the art of television broadcasting, as we proposed, this should not have

been mentioned in the Pilkington Report. It seems to me that to use profits to expand the art of broadcasting and to make new programmes available is a better alternative than to force companies by penal taxation, to pass money to the Exchequer to spend on providing the public, not necessarily with what the public enjoys, but with what the Pilkington Committee thinks it ought to have.

I am not one to believe that we are called on to make any defence because of the profits we have made in recent years but I think it is a good thing to repeat what the Hankey Committee on Television stated in 1945:—

"It is quite clear that, until the television service is well developed, commercial interests would not be willing to incur large expenditure for this purpose, owing, for example, to the limited audience served. In the early stages, therefore, we could not expect sponsored programmes to provide a substantial contribution towards the cost of the television service. In these circumstances and without prejudicing the matter for the future, we feel it would be premature to come to a conclusion on this question."

I can say that, for several years before and after the war, the people concerned in promoting Commercial Television lost a considerable amount of money in financing the pioneering work and when eventually the Government agreed to set up a Commercial Television service it was far from easy to find sufficient sources of capital. This only confirmed the conclusions of the Hankey Committee.

PROVISION OF RISK CAPITAL

No sooner had the Independent Television operation started than the rate at which money was being lost became so alarming that it was extremely hard to get any new money. In our own company almost the entire original capital was lost in the first year, so that, far from having "a licence to print money," we found that we had a licence to lose money in millions. Yet a substantial number of the people who were original shareholders put their hands back into their pockets and produced further capital. Even so, it proved necessary to go outside the group for still further backing. It is easy to be wise after the event, but when one considers the risk involved in putting up money for what, on the best authority, was a very long-odds chance, I cannot agree that the criticisms of large profits are warranted.

It should not be forgotten that, if risk capital had not been put up six years ago, we would not have had commercial television. We would still have the low standard of television broadcasting which existed at that time. Occasions are bound to arise when it may be necessary to depend on voluntary risk capital if the many projects and services of the future are to be developed. If

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the Government undermines the confidence of the investor it will make it impossible to get the financial support which will be required if we are to bring many new inventions to the light of day.

The most important objective in the day-to-day existence of your Company is the creation and production of programmes. In London we have Saturday and Sunday. These are the two days when the great mass of our people have time off from work and look forward to relaxation and pleasure. The daily drudgery of any worker can be lightened considerably if great care is given to filling periods of relaxation during the weekend by presenting the right sort of entertainment for ordinary people. We have tried to achieve this by giving pleasure while at the same time maintaining balance in our programmes.

ADVERTISING AN HONOURABLE PROFESSION

I do not intend in this statement to deal with the Pilkington Report in any detail. I feel that the ordinary people will decide the answer and not the extraordinary people. I would only point out the many references, often of an offensive character, about advertising which have been made in discussions about the Report. Advertising is an honourable profession. Its standards in this country are recognised as high throughout the world. The Government is constantly calling for more and more exports. Now there is no weapon in this job of selling so important and vital to its success as advertising. Is it a crime to advertise?—it cannot be right to do it in one place and wrong to do it somewhere else. It is certainly wrong to attack advertising in the way it has been attacked, and then to say "but it will be all right as long as the advertising is sold and handled by a state enterprise."

Many shareholders have written to me about the effect of the Pilkington Report and I can only say to every one of them "You have made an investment in an undertaking which was permitted and promoted by the Government, and you have all the rights and all the freedom to take any legitimate steps you wish to protect your investment." In the same way, I say to your viewers—"We are an adult any and all of our viewers—"We are an adult people and each one of us individually has been entrusted with taking political and national decisions of enormous importance, but the Pilkington Committee has made it quite clear that there is one issue we are apparently not mentally capable of deciding, and that is the sort of programmes the majority of people want to see on their television screens."

SUCCESSES ABROAD

One of our more important subsidiaries, Incorporated Television Company Limited, continues to be the biggest producer and exporter of British television programmes. Following the network success in the United States and Canada of the "Danger Man" series, a further series "Sir Francis Drake" is being transmitted this summer on the NBC network. During the year, the "Supercar" series, using new techniques with animated puppets, was completed and has been equally successful both here and in the American Continent.

Four film series, "Man of the World," "The Saint," "Fireball XL5" and "Broadway goes Latin" were about to go into production when

COMPANY MEETING REPORTS

the strike commenced and as a result of this over six months were lost. However, production is now in progress and we can only hope that there will be no interruption during the coming year; but of course the interruption in our production will affect our sales throughout the world during the present year.

Incorporated Television Company distributes the Group's products in the Eastern Hemisphere and supplies these programmes to our American subsidiary, the Independent Television Corporation, for distribution in the Western Hemisphere. To date over 10,000 hours of programmes have been sold to 32 countries in the Eastern Hemisphere, covering Australasia, Scandinavia, Western Europe, Eastern Europe, Middle East, Far East, India and Africa.

Very few British series have achieved a network showing in the United States of America and our American management have to be congratulated on their achievement.

POSITION IN AUSTRALIA AND CANADA

Last year we referred to our investment in Australia where we have holdings in seven commercial radio stations including stations in Sydney, Melbourne, Adelaide and Canberra, and we are partners in the Australia-wide McQuarrie Radio Network. In commercial television we have interests in eight stations, including Sydney, Adelaide and Brisbane, which are firmly established and are now showing satisfactory returns. Of the remaining five stations, one is in Canberra and four are in important country centres but these stations only commenced transmission in 1962. In addition, we operate a radio programme production company which has a large market for its programmes overseas as well as in Australia.

Last year Australia suffered a severe income recession. I am glad to say we now see definite signs of recovery and look forward to much improved results in the future.

We continue to sell a substantial amount of material in Canada through the Independent Television Corporation. In addition, we have a capital investment in two Canadian Television Stations, one in Halifax and one in Vancouver. We were reconciled to the fact that it would take some time before these companies had expanded to the stage of income being able to carry the expenditure. One of the companies has already got into a profit position and the other is now likely to achieve profits at an earlier date than we originally expected.

PLANNED MUSIC LIMITED

Our subsidiary, Planned Music Limited, which promotes the distribution of suitable background music programmes in public buildings, offices, factories, etc, is gradually approaching a period of consolidation. In the last few years the expenses incurred in preparing the groundwork in this particular business were heavier than we had anticipated. During the build-up period the time taken to get GPO lines laid down and contracts completed is a much longer operation than one would expect, and the shortage of certain Post Office lines has, to some degree, continued. A policy of developing in the known profitable areas, with good administration, will, I believe, bring us to a profit making stage within the next two or three years.

Pye Records Limited, in which we have a substantial interest, progresses according to plan and, although large sums of money are required

to establish a records business, we have been making profits for the last three years.

BRITISH RELAY WIRELESS AND TELEVISION LIMITED

Shareholders will know that for a considerable time we have had a substantial holding in British Relay Wireless & Television Limited. This is one of the leading line networks for bringing programmes into people's homes and has been in existence for many years. In fact, the original company, Link Sound & Vision Services Ltd., was the first company in this country to operate successfully a system of transmitting television programmes by wire, and consequently doing away with the difficulties of interference and weak signal strength.

Because of the lack of public demand for new television sets, caused by the state of uncertainty while everyone waited for the Pilkington Report, the company has undoubtedly suffered during the last two years. It has nonetheless continued to build and extend its networks, confident that the added complexities of ultra high frequency broadcasting and colour would lead to a greatly increased demand for wire reception. British Relay's networks are worth many millions of pounds, and we know that, if the maximum effect is given to the White Paper recommendations on the number of channels, well over 80 per cent of the company's existing cables will be able to take all these new programmes including colour, with practically no capital cost. The future of British Relay is extremely bright and we will do everything possible to help it to become a great success.

In addition, in the field of Pay Vision, British Relay Wireless & Television Ltd., has a system which in my opinion is technically equal to any other, and certainly from the economic point of view has a great many advantages. I believe that Pay Vision is one of the certainties of things to come and in due course will be available to viewers in this country.

TRIBUTE TO STAFF

I would like to bring a personal note into my concluding remarks. The strike put a great strain on your company. A large number of our employees had to spend some months in comparative idleness; this not only cost a great deal of money but was a soul-destroying period for everyone concerned. Yet, in spite of the frustration caused by enforced inactivity among staff who love their work, our people supported us wonderfully in that difficult time and were a great encouragement to my fellow directors who are responsible for the day-to-day management of the business.

With the strike at last settled, but almost before we could get back into our production stride, the Pilkington Report was published and more unsettlement was created.

Broadcasting depends on creative people—script writers, producers, directors, actors and technicians—and all of these were thrown into a well of doubt and despondency. It is quite clear to your Board that, if we have to go through a long period of uncertainty about the future, this will do irreparable harm to British broadcasting.

We can only say to our staff that we appreciate their great loyalty and we shall do everything in our power to restore a sense of sanity and stability into the commercial side of British broadcasting which is recognised as being unequalled throughout the world.

I.B.E. LIMITED

RECORD YEAR

The thirty-fourth Annual General Meeting of I.B.E. Limited was held on August 30th. **Mr Robert Montgomerie**, the chairman, presided. The following is an extract from his statement:

It gives me considerable pleasure to present to you the accounts, because this was, by a substantial margin, the most successful year in our history. Last year, I indicated that our earnings were then near the record established in 1952, when our profits before taxation reached the figure of £122,668. However, the comparable figure for the year under review was £176,190, which represents an increase of nearly 44 per cent over our previous record and an increase of 51 per cent over the figure for 1961.

Our current activities can be broadly divided into three main groups, road-making materials, including ancillary services connected with their use and application, paints and specialised building products, and it is true to say that the section concerned with the production of bitumen emulsions constitutes no more than one half of the total.

Trading operations in all these main spheres of interest this year gave us every reason to be satisfied, although not complacent.

So far as roads were concerned, our companies in that field made excellent progress and there are very real signs that, by sheer determination, hard work and the production of first-class materials, they are steadily overcoming the difficult trading conditions which have persisted since 1957.

The paint trade is still highly competitive but we are proud of the quality of our products, and in the past year our own companies have shown material advancement, both in the volume of business obtained and in their contributions to the Group's results.

Specialised building materials, marketed under the trade mark Plycol, have contributed substantially to the all-round improvement this year. Expanding sales, increasing good will, and the acceptance of our products in a constantly widening field have led to a number of interesting developments, many of which resulted from inquiries by customers anxious to find materials suitable for their particular needs.

The business of our subsidiary company in Pakistan also showed a marked improvement. Owing to currency restrictions, however, it has not yet been possible to arrange for the profits to be remitted.

In South Africa the operations of our associated company have again been most gratifying and the further improvement in their profits is reflected in the increased dividend received from that source.

Current reports from some of the trades with which we are most closely concerned, notably paints and the building industry, suggest that conditions generally in those trades are not very encouraging at this time. Although, in viewing our prospects for the current year, I do not anticipate the expansion we enjoyed during the past two years, I have no reason to feel despondent, and the news from our own companies for the first three months' trading, indicates that our position at this time is being maintained.

The report and accounts were adopted.

THE CEMENTATION CO. LTD.

IMPROVED RESULTS

The forty-second Annual General Meeting of The Cementation Company Limited will be held on September 25th in London. The following are extracts from the circulated statement of the Chairman, **Sir Frederick Pile**:

The consolidated Profit and Loss Account for the year to March 31, 1962, shows a trading profit of £653,635 compared with a loss of £202,274 for the previous year, an improvement of £855,909. After tax, mostly incurred by our Companies and Branches overseas, the profit this year is £317,513 compared with a loss last year of £434,903. During the year the Group's over-draft position improved by over £800,000. We are now in a position to take the fullest possible advantage of new business on offer.

LAST YEAR

Civil engineering here at home continued to be intensely competitive throughout the year and there was little new mining or drilling work on offer. However, there was a good deal of activity in the UK in our other specialist fields.

The group of UK manufacturing and selling subsidiaries had a successful year, though, like our contracting activities, they were running into a period of generally reduced business activity towards the end of the period.

The results of our companies in South Africa were better than expected.

Elsewhere overseas the year turned out much as I envisaged in my last annual statement, though business conditions in New Zealand

worsened markedly towards the end of the year (our establishment in that country has consequently been much reduced) and, in the face of its trading record and future prospects, it was decided to close down altogether our contracting operations in Brazil.

THIS YEAR

The Group's order book at the beginning of the financial year was not so satisfactory as it was in March, 1961, and great efforts are being made to reverse this trend. As I have already pointed out, we now have adequate finance to enable us to deal with the situation.

At home, the reduced profitability, to which I referred in my letter to shareholders of May 2nd, continued during the early months of the year as did the intense competition. The level of activity in some of our specialist fields has been reduced, but I am hopeful that this will prove to be a passing phase of short duration, with the exceptions of mining and drilling. In the case of those two activities we must face the fact that the home market will be substantially smaller than hitherto for some years to come.

I expect the level of operations and profits of the South Africa Group of Subsidiaries to be roughly similar to those of 1961-62, but business activity in Rhodesia is at a low ebb.

Work is still scarce in New Zealand. In Australia our subsidiary company is expanding and prospering. I have no doubt that a sound and substantial business will have been built up in Australia by the end of this year where a useful profit should be earned.

In India our business is continuing to expand and should make a reasonable contribution to our profits for the year.

THE PURNELL GROUP

(Printing, Packaging and Publishing)

A YEAR OF PROGRESS

PROVISION OF ADDITIONAL CAPITAL FORESHADOWED

The twenty-eighth Ordinary General Meeting of Purnell & Sons Limited will be held on September 28th in London.

The following is the circulated statement of the Chairman and Managing Director, **Mr W. Harvey**:

In December 1961 your Company was able to add sufficient Ordinary Shares to its holding in British Coated Board & Paper Mills Limited to secure control of that Company, and the profit in respect of the nine months to December 31, 1961, together with the profit of Waterlow & Sons Ltd. for the year to December 31, 1961, are reflected in the Group Trading Profit of £2,126,473, which shows an increase over the previous year of £702,498.

The Net Profit before Tax, but after providing additional Depreciation in respect of Initial and Investment Allowances of £287,920, is £1,177,462, an increase of £414,820 over the previous year. After providing for taxation the balance of Profit for the year is £668,534, an increase over the previous year of £296,914.

SUCCESS OF BOARD'S POLICY

During the past few years your Company has purchased, in the open market, shares in concerns where the business has been complementary to our own, and where it was felt that a merger of interests would be to the advantage of all concerned. The success of this policy is now evident as I am able to report that during the current year offers have been made to acquire the balance of the Deferred Shares in Waterlow & Sons Limited, the balance of the Ordinary Shares in British Coated Board & Paper Mills Limited, and the balance of the Issued Shares in Raphael Tuck & Sons Limited. I am pleased to be able to report that all these offers have been successful and your Company now hold or are in process of acquiring under the provisions of Section 209 of the Companies Act, 1948, the whole of the Deferred Ordinary Shares in Waterlow & Sons Limited, and the whole of the Ordinary Shares in British Coated Board & Paper Mills Limited, and have acquired over 90 per cent of the Preference and Ordinary Shares in Raphael Tuck & Sons Limited. I am confident that the merging of these interests will be to the benefit of your Company and also to the benefit of the former holders of the shares in these Companies who, by accepting Purnell & Sons Limited shares in exchange for their former holding, have acquired an interest in your Company.

The Issued Ordinary Share Capital of your Company after these exchanges have been made will be approximately 8,700,000 5s. Ordinary Shares, and, with the exception of some 500,000 £1 Preference Shares and 200,000 £1 6s per cent Preferred Ordinary Shares, the whole of the Share Capital of the Subsidiaries and their proportion of Reserves and Surplus applicable thereto standing in the Balance Sheet at £2,710,082 will belong to your Company.

The Investments in the Balance Sheet at £491,710 will, I anticipate, realise, in due course, slightly in excess of £1,000,000.

CAPITAL PROGRAMME

In my last year's Report I stated that your Company was committed to a large capital programme, and the photographs accompanying the Accounts show the progress of some of these extensive projects. When these are completed your Company will be equipped to provide for its own publications and those of its customers one of the most comprehensive and up-to-date printing services in the country.

All our extensions and installations are allied to the printing, paper, packaging and publishing industries with which your Company has been associated since its formation some thirty years ago. The training and recruitment of our personnel have kept pace with the introduction of modern equipment, and our craftsmen are among the most efficient in these industries, with an exceptionally wide range of experience.

Your Directors have continued to pursue a policy of ensuring that the Group's products are such that they can be produced as far as possible from the raw material to the finished goods within the Group. We have, for example, recently completed a most up-to-date ink factory capable of supplying ink to satisfy our own needs and those of our customers.

We have continued to build up our publishing interests with particular emphasis on general education, and during the past few months we have launched another weekly publication, *Understanding Science*, which has been well received by the public both at home and abroad, and we are contemplating further weekly and monthly publications in the very near future.

You will observe from the Accounts that we have Forward Contracts in respect of Capital Expenditure amounting to £2,149,645 which, when completed, will, I am sure, add greatly to the profit of your Company. To finance this expenditure and place your Company in a liquid position we propose at a very early date to raise further Capital either in the form of a Rights Issue or Loan Stock with Conversion Rights; such additional Capital will be offered in the first instance to our Shareholders.

CURRENT TRADING

Before I conclude you will be interested to know about the current year's trading, and I am pleased to state that our turnover is now over £15,000,000 and continues to grow steadily, and our profits for the year, subject to any unforeseen circumstances between now and the end of the year will be at least equal to those of 1961.

Your Directors have recently appointed to the Board Messrs. Bertram Clarke and William J. Harvey, who have been associated with the Company in all its activities for some twenty years or more.

An Extraordinary General Meeting of the Company is being convened on the same date as the Annual General Meeting to seek the authority of the Members to increase the maximum number of Directors to twelve. Should this increase be confirmed it is the intention of the Board to appoint as additional Directors

of the Company Messrs. Peter Lavington and A. C. Grant, who have also been associated with the Company for many years.

During the past year your Company has made great progress in all its activities, and I am quite sure that all Members would wish me to convey our sincere thanks to my colleagues and all employees for their devoted services which, at times, have been long and arduous in order to bring to fruition some of the many and varied projects we have on hand.

MOTOR IBERICA S.A.

Avda, Capitán López Varela, 149,
BARCELONA (5), SPAIN

Distributors of Ford Products in Spain
and Andorra

Manufacturers of Ebro Tractors, Trucks
and Engines

The Annual General Meeting of MOTOR IBERICA S.A. was held in Barcelona on May 12th, and the following are details of the report presented by the Board of Directors:

REVIEW

The total sales volume in the year 1961 rose to a far higher figure than that obtained in 1960. The number of tractors sold recorded a 28 per cent increase as compared with that of the previous period whilst the truck sales figure was four times that of 1960.

New types of tractors, farming implements and trucks have been developed. Some of these have already been introduced whilst the launching of others is now going through preliminary stages. The Company's plant is undergoing considerable expansion and alteration, and participation in the capital of other companies within the motor or allied industries was increased during the year.

PROFIT AND DIVIDEND

Profit for the year totalled Ptas. 255,088,770. It was accordingly proposed to distribute this amount as follows: to Income Tax Ptas. 69,500,000; to allocate to the Legal Reserve Ptas. 19,535,660 to confirm the 8 per cent interim Dividend, taxable, against Coupon No. 13, declared in October, 1961, Ptas. 22,386,048; to declare a 10 per cent complementary dividend, taxable, against Coupon No. 14 Ptas. 27,982,560; to distribute, gratis, as additional Dividend, taxable, and against Coupon No. 15, new shares, one for every 22 shares held, Ptas. 12,719,400; to allocate to the "Motor Iberica S.A. Social Welfare Foundation fund" Ptas. 8,000,000; to allocate to the Company's personnel house building scheme Ptas. 2,000,000; to transfer to the "Provision for Capital Investment" (Law 26-12-57) Ptas. 40,000,000; and to transfer the balance to the Reserve Fund Ptas. 52,965,102.

The report, the accounts, and the proposals put forward by the Board 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.

DOWTY

GROUP LIMITED

CHELTENHAM

Extracts from Sir George Dowty's Statement to Shareholders

MOST SUCCESSFUL YEAR

•

IMPORTANT DEVELOPMENTS IN HYDRAULIC TRANSMISSIONS AND AUTOMATIC MINING

•

	Year 1961-1962
Group Profits	£3,213,000
Available Profits	£1,779,000
Capital and Reserves	£13,399,000

Dividend for year 10¹⁰/₂ net

COMPANY AFFAIRS

Equities have again had a slack week on the London stock market, but whereas in the previous fortnight the low level of business did not lead to lower prices this week prices have fallen. The Economist indicator lost 7.3 points from 335.8 to 328.5. Any benefit that the gold reserve figures for August brought to prices was limited to gilt-edged stocks; equity prices were more influenced by the disappointing retail trade figures for July and the dullness on Wall Street. Gilt-edged prices continued to rise. The new £500 million tranche of 5½ per cent Treasury 2008-12 triggered off extensive switching among long dated stocks, but undated stocks tended to ease.

Steel Dependents

IN differing degrees, the fortunes of Davy-Ashmore and Wellman Smith Owen depend upon the pace of investment in the steel industry in this country and overseas, and their results, as the table shows, both point in the same direction. Each has had to work on lower profit margins and each is affected by the end of the steel investment boom in this country. But Davy-Ashmore is much the bigger of the two and appears to be more dependent than Wellman on big-scale developments in the British steel industry such as Newport and Ravenscraig. Both have tried to diversify their activities as capital goods producers; but since it acquired Incandescent Heat Wellman may have secured a broader range of interests than Davy-Ashmore. Davy-Ashmore's profits will be substantially lower this year and its dividend will be cut, though not by "grievous proportions." Does this mean 25 per cent, against 27½ per cent, or something lower? Wellman, on the other hand, has orders on hand worth £13 million—Davy-Ashmore does not say what its orders are worth but its turnover in 1961-62 amounted to £40 million—and it expects to earn profits close to those in 1961-62. Its dividend, effectively raised through a scrip issue from just under 22 to 25 per cent, does not appear to be in danger.

Year to March 31	Davy-Ashmore 1961 1962	Wellman 1961 1962
Trading profit.....	5.0 5.3	2.1 2.0
Gross profit.....	4.1 4.0	1.9 1.7
Net equity earnings.....	3.0 2.9	0.8 0.8
Retained cash flow.....	2.7 2.7	1.0 1.0
Net fixed assets.....	9.3 10.2	2.6 2.6
Net current assets.....	7.5 7.8	2.6 2.5
Net liquid assets.....	2.3 Dr 1.0	1.3 0.8
Net equity assets.....	12.3 13.4	4.4 4.7
Ordinary earnings, per cent	65.3 61.4	48.3 46.3
Ordinary dividend, per cent	27.5 27.5	21.9 25.0
Gross profit/net equity assets	33.3 29.9	43.2 36.2
Net earnings/net equity assets	24.4 21.6	18.2 17.0

In the short term, Wellman's 5s. shares at 20s. 3d. and yielding nearly 6½ per cent appear a safer investment than Davy-Ashmore's 5s. shares at 18s. 6d. and yielding nobody knows quite what—particularly as there is no guarantee that Davy-Ashmore's steadier earnings record over the last decade (based on the expansion of the British steel industry) will be repeated in the next. But Wellman is not immune from the influences

on profits that Mr M. A. Fiennes so fairly puts before Davy-Ashmore shareholders in his statement. Some part of its business, though possibly a smaller part than Davy-Ashmore's, will be affected by the pause in steel investment in this country while other parts are just as dependent as Davy-Ashmore's on higher steel output. As capital goods suppliers, both need economic growth in this country to revitalise their profits. And more than ever both have to look abroad for new orders—ranging beyond steel plant and equipment—and thus are concerned with the flow of aid to the developing countries and upon the provision of export credits. Sir Peter Roberts, the chairman of Wellman, would no doubt agree with Mr Fiennes that the next year or two will be difficult. Both companies will have to live in a tough, competitive world.

Fitch Lovell

THE remarkable growth of Fitch Lovell, the wholesale and retail provision merchants, has been based on the acquisition of smaller businesses. It has so captured the imagination of investors that the 2s. 6d. shares at 14s. 3d. are close to their high point for the year. Immediately, this faith is difficult to fault. The group's turnover in 1961-62 amounted to nearly £110 million; gross profits rose by 32 per cent, though the increase comes down to 16½ per cent if the contribution of new acquisitions is excluded; the dividend was raised from 15 to 16½ per cent; and the customary capital bonus of one per cent was repeated. Trading in the first months of the current financial year, the chairman, Sir Ambrose Keevil, says, has shown a "good all-round improvement" and he hopes at least to maintain the dividend at 16½ per cent on the capital as increased by the one-for-ten scrip issue, though the small capital bonus may be dropped. The indicated yield is thus 3.2 per cent, presumably again covered about 2½ times.

But expansion at Fitch Lovell's speed has its cost. This first appears in its bank overdrafts. Admittedly, these are based on

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quickly moving stocks and are the equivalent of only slightly more than a normal week's trading. But there is a hint in the revaluation of the group's freehold and long leasehold properties (which, Sir Ambrose says, leaves the company, "well placed for arranging additional finance") that a funding operation may be on its way. It could take the form of a debenture or leasing-back arrangements, and it would thus raise the gearing on an already highly-gearred equity. The price of expansion is also revealed in the decline in the return on capital employed. Like other grocers, Fitch Lovell trades on a low profit margin on a big volume of sales. To push up the return on capital employed it must keep

Years to end-April	1958	1959	1960	1961	1962
Trading profit.....	£ mil. 0.8	£ mil. 1.5	£ mil. 1.8	£ mil. 2.1	£ mil. 2.9
Gross profit.....	0.6	1.0	1.2	1.4	1.9
Net equity earnings.....	0.2	0.5	0.5	0.6	0.9
Retained cash flow.....	0.3	0.7	0.8	0.9	1.2
Net fixed assets.....	1.7	4.4	5.4	7.6	11.7
Net current assets.....	0.7	2.3	3.5	3.8	2.9
Net liquid assets.....	0.2	Dr 1.5	Dr 1.2	Dr 1.5	Dr 2.4
Net equity assets.....	1.9	3.9	6.1	8.6	13.4
Ord. earnings, per cent	40.8	39.9	34.9	31.0	37.9
Ord. dividend, per cent	11.0	13.25	13.0	15.0	16.5
Gross profit/net equity assets	31.6	25.6	19.6	16.3	14.2
Net earnings/net equity assets	10.5	12.8	8.2	7.0	6.7

its costs down and fight against fierce competition for increased sales. To do this, the admirable objectives of policy laid down by Sir Ambrose have to be translated into hard facts; they include automation in the factories, mechanical aids in warehouses and offices, the development of super-markets and self-service stores, a "new and different approach" in retail display and service and a streamlining of the organisation with a view to the "gradual integration" of its various functions. All this costs energy, time and money. And while it is being achieved Fitch Lovell's competitors will not be standing still. Does the current yield make sufficient allowance for the fact that Fitch Lovell has to consolidate the ground it has already won?

Monsanto Chemicals



MONSANTO'S trading record is poor. In boom years it has not done as well as its competitors and in slack years it has done noticeably worse. In its investments in chemicals and plastics, it has sometimes followed the fashion rather than taking its own line in looking for products and markets which would be less affected by price-cutting and dumping by the international giants when the going got tough. It exports about two-fifths of its output and its dependence upon overseas markets has proved to be a source of weakness in the chemical price war without being a source of great vitality in the boom years. In the end, the blame must rest on the managers, though how far the distant control of the American parent has added to their problems is a matter on which only they could pronounce.

THE ECONOMIST SEPTEMBER 8, 1962

The best that can be said about a profit of £77,000 on sales of £9.9 million in the first half of this year (compared with a profit of £796,000 on sales of £10.7 million in the first half of 1961) is that it is slightly better than the profit earned in the last half of 1961. The figures exclude the results of the Australian subsidiary (which has made an "encouraging recovery," though the company is small) and investment income (which will be lower this year). Like other chemical companies, Monsanto expects some "measure of recovery" in the current half of the year.

But the interim dividend has been cut from 5 to 3½ per cent and Sir Miles Thomas says that the repetition of last year's dividend of 10 per cent (which compares with 15 per cent in 1960 and 1959) depends upon the degree of recovery which is attained. On a 10 per cent dividend the 5s. shares at 14s. would yield about 3½ per cent and on a 7½ per cent dividend about 2½ per cent. The only justification for so high a price is that the American parent might decide to buy out the minority shareholders. It would need some considerable confidence in the long run outlook to do so.

Joseph Lucas

WHETHER or not Britain enters the EEC, it is logical for Joseph Lucas, the biggest manufacturer of motor accessories in this country, to seek some protection against the fluctuations in the British motor industry by investing in plants on the Continent. Its foothold in the Commonwealth is secure; but its Continental investments are no more than a few months old. They include an association with the French company, Roto-Diesel, which makes distributor-type Diesel pumps; a newly acquired 40 per cent interest in Ducellier, the biggest manufacturer of electrical accessories for the French motor industry; and plans for building a factory in Coblenz where Girling brakes for the German motor industry will be made. With its low geared capital structure, Joseph Lucas rightly intends to raise fixed interest finance for these investments—£10 million in a long-term debenture issue in this country before the end of the year and £4.2 million on a medium term loan in Switzerland early in 1963. These loans will more than cover the £3 million outstanding in bank overdrafts in this country and £2 million in bank loans in Switzerland. This is a big operation for Joseph Lucas, which in the last decade has financed developments of nearly £30 million without coming to the market; but it has to be seen in the perspective of an annual turnover of about £120 million on a net asset base of about £45 million. The operation requires an alteration in the directors' borrowing powers; these will be raised to £40 million and as compensation for their loss of control over borrowing the holders of the small preference share issue are offered an increase in income.

COMPANY AFFAIRS

ATV



ALTHOUGH Associated Television has extended its interests, it remains heavily dependent on commercial television. The fat years, as the table shows, are coming to an end.

The chairman, Sir Robert Renwick, says that the fall in gross profits in the year to April 30th from £6,412,000 to £5,038,000 had three principal causes: greatly increased costs of operations, a fall in advertising revenue, and losses of subsidiaries in the early stages of development. Sir Robert says that these subsidiaries will in time make a "very useful contribution to the income" of the group. But he refutes the suggestion that the group could maintain its dividend from income from sources outside commercial television. This dependence explains the stock market's assessment of ATV: the 5s. ordinary "A" shares now stand at 20s. 6d. and yield nearly 15 per cent. Shareholders are confronted with two major questions. First, how much will television profits shrink? Secondly, what contribution can the other activities of the group make, and how soon? Until the

Years to April 30	1958	1959	1960	1961	1962
	£ mil.	£ mil.	£ mil.	£ mil.	£ mil.
Operating profit.....	4.1	4.9	5.8	6.9	5.6
Net profit.....	2.0	2.6	2.7	3.2	2.4
Ord. earnings, per cent	94.3	98.8	94.1	110.5	83.4
Ord. dividend, per cent	15	50	50	60	60

government decides the future of commercial television, the first question cannot be answered. On the second, Sir Robert points to the prospect of higher profits in some of the smaller subsidiary companies, such as a television station in Canada and commercial radio services in Australia; but Planned Music Limited is not going to earn profits for the next two or three years. Sir Robert says that British Relay Wireless and Television has an extremely bright future; it must account for a large part of the quoted investments of £3 million shown in the balance sheet. But in all, to buy the shares is to gamble on the readiness of the government to extend commercial television much as it is.

THE ECONOMIST INDICATOR						
(1953 = 100)						
1962	Indicator	Yield %	1962			
Aug. 1	312.8	5.50	High	Low	310.3 (June 27)	
" 8	317.6	5.41				
" 15	336.5	5.09				
" 22	335.1	5.13				
" 29	335.8	5.11	364.4 (Jan. 17)			
Sept. 5	328.5	5.21				
FINANCIAL TIMES INDICES						
1962	Index †	Ord. Yield	2½% Consols Yield	Bargains Marked		
Aug. 30	279.4	5.59	5.65	9.976		
" 31	279.5	5.59	5.67	9.823		
Sept. 3	280.0	5.57	5.68	11.808		
" 4	278.8	5.60	5.68	9.727		
" 5	277.2	5.63	5.67	9.150		
High, 310.2 (Jan. 19). Low, 252.8 (June 25), † July 1, 1935 = 100.						

Dowty Group

THE report and accounts of the Dowty Group reinforce the pleasing change, shown in the preliminary profit figures, from the rather depressing news which the market has come to expect from firms supplying the British aircraft industry. Dowty's 27 per cent rise in gross profits from £2,527,000 to £3,213,000 owes little to Boulton and Paul, whose gross profits were virtually unchanged at £400,000. Tax relief relating to prior years doubled to £167,000 and net profits rose by 37½ per cent from £1,331,000 to £1,832,000. The tax free ordinary dividend, raised from 9½ to 10½ per cent, is covered almost 2½ times by earnings before tax rebates.

Pleasing as this performance is, the most welcome part of the report lies in Sir George Dowty's statement that nearly all the companies of the group have full order books and that a further improvement in profits is expected for the current year. In large measure this can be attributed to the success of the group's policy of diversification since the war; although slightly more than half of its sales go to the aircraft industry the group has applied its specialist knowledge of hydraulics to mining equipment (where sales last year reached a new peak), hydraulic controls and marine equipment. It has also done well abroad, where it sells about a third of its aircraft equipment; most British firms lamented the adoption of the American F-104G as the standard NATO fighter aircraft, but Dowty went out and won contracts for its equipment. Sir George reckons that the group's aviation order book should keep it occupied for about 2½ years. Backed by this kind of enterprise, the 10s. ordinary shares yielding 5 per cent at 35s. 9d. seem reasonably valued.

Rhodesian Selection Trust

THE three-week strike on the Copperbelt in May reduced production of the three Rhodesian copper producers in the RST group in the final quarter of the financial year to June 30th. Mufulira's output fell from its peak of 31,000 tons in January-March to 28,000 tons in April-June—only 1,000 tons or so above its level before capacity was raised sharply by the Mufulira West extension. Roan Antelope, which became a subsidiary in March, suffered only a slight fall in output in the June quarter, but the drop in production at Chibuluma was very steep, and costs rose sharply from about £171 to £198 a ton in the final quarter; over the year Chibuluma's gross profit fell from £1,047,000 to £623,000. Roan's costs continued to go up, reducing the gross profit to £36 a ton in the final quarter of 1961-62. Though the realised price of copper has remained steady at about £231 a ton over the past two years, the 3½ per cent reduction in Roan's output and the increase in costs led to a fall in its operating

Continued on page 966

STOCK PRICES

AND YIELDS

LONDON: NEW YORK: FRANCE:
GERMANY: HOLLAND: ITALY:
BELGIUM: SWEDEN: NORWAY:

Prices, 1962		BRITISH FUNDS AND GUARANTEED STOCKS		Price Aug. 29, 1962	Price Sept. 5, 1962	Net Yield, Sept. 5, 1962	Gross Yield, Sept. 5, 1962	Prices, 1962		ORDINARY STOCKS		Price Aug. 29, 1962	Price Sept. 5, 1962	Yield, Sept. 5, 1962	Cover
High	Low							High	Low						
100 1/2	100 1/2	Treasury 5 1/2%	1962	100 6/8	100 6/8	4.13	5.1	105 1/2	79 9/16	BANKS, DISCOUNT & HP					
99 1/2	99 1/2	Exchequer 2 1/2%	1962-63	99 1/2	99 1/2	4.1	5.1	83 1/2	61 1/2	Barclays	£1	86 3/4	85 9/16	3.03	
100 1/2	98 1/2	Conversion 4 1/2%	1963	100 1/2	100 1/2	4.1	5.1	70 1/2	53 1/2	District	£1	82 1/2	81 9/16	3.06	
97 1/2	93 1/2	Exchequer 2 1/2%	1963-64	97 1/2	97 1/2	4.1	5.1	25 1/2	20 1/2	Lloyds	£1	57 9/16	58 1/2	3.28	
100 1/2	97 1/2	Conversion 4 1/2%	1964	100 1/2	100 1/2	4.1	5.1	101 1/2	80 1/2	Marine	£1	24 1/2	24 1/2	3.43	
95 1/2	90 1/2	Savings Bonds 3%	1955-65	95 1/2	95 1/2	3.7	5.1	100 9/16	73 1/2	Midland	£1	88 3/4	84 9/16	3.06	
101 1/2	98 1/2	Exchequer 5 1/2%	1966	101 1/2	101 1/2	4.1	5.1	97 9/16	71 1/2	Nat. Provincial	£1	87 1/2	84 9/16	3.30	
89 1/2	88	Savings Bonds 2 1/2%	1964-67	89 1/2	89 1/2	3.18	6	48 3/4	40 3/4	Westminster	£1	86 1/2	87 1/2	3.05	
100 1/2	98	Exchequer 5 1/2%	1967	100 1/2	100 1/2	4.1	5.1	40 9/16	34 1/2	Australia & N.Z.	£1 p.p.	43 1/2	46 3/4	3.19	
89 1/2	83 1/2	Funding 3%	1966-68	88 1/2	89 1/2	3.19	1	25 1/2	21 1/2	Bank of Montreal	£10	36 1/2	36 1/2	4.57	
90 1/2	84 1/2	Conversion 3 1/2%	1969	89 1/2	90	3.18	3	35 1/2	32 1/2	Bank of New S. Wales	£20	34 1/2	34 1/2	4.20	
88 1/2	82 1/2	Funding 3%	1959-69	88 1/2	88 1/2	3.18	3	58 1/2	53 1/2	Barclays D.C.O.	£1	37 9/16	37 9/16	5.30	
97	92 1/2	Victory 4%	1920-76	95 1/2	95 1/2	3.2	11	19 1/2	16 1/2	Chartered	£1	57 1/2	57 1/2	5.19	
84 1/2	78 1/2	Savings Bonds 3%	1960-70	84 1/2	84 1/2	4.2	1	10 1/2	9 1/2	Conyng & Shaw	£25	117 1/2	117 1/2	4.29	
97 1/2	90 1/2	Conversion 5%	1971	96 1/2	97 1/2	3.9	4	29 1/2	26 1/2	Nat. Com. Bk. Scot.	£10	171 1/2	171 1/2	3.06	
103 1/2	97 1/2	Conversion 6%	1972	103 1/2	103 1/2	3.8	11	45 1/2	37 1/2	Royal Bk. Canada	£10	223 1/2	223 1/2	3.68	
98 1/2	91 1/2	Conversion 5 1/2%	1974	98 1/2	98 1/2	3.8	11	54 1/2	38 3/4	Standard Bank	£1	44 1/2	44 1/2	6.82	
92 1/2	87 1/2	Funding 4%	1960-90	92 1/2	92 1/2	3.6	1	99 9/16	72 1/2	Hambros	£1	40 9/16	41 3/4	2.73	
77 1/2	70 1/2	Savings Bonds 3%	1965-75	76 1/2	77 1/2	4.3	2	61 9/16	53 1/2	Union Discount	£1	77 1/2	75 5/8	1.99	
76 1/2	69 1/2	Treasury 3 1/2%	1977-80	75 1/2	76 1/2	4.1	3	14 1/2	12 1/2	Bowmaker	£1	61 1/2	61 1/2	4.10	
75 1/2	68 1/2	Treasury 3 1/2%	1979-81	74 1/2	75 1/2	4.1	3	16 1/2	14 1/2	Lombard Banking	£1	12 3/4	12 3/4	4.17	
90 1/2	83 1/2	Funding 5 1/2%	1982-84	89 1/2	90 1/2	3.1	13	15 1/2	13 1/2	Mercantile Credit	£1	12 3/4	12 3/4	2.91	
90 1/2	82 1/2	Treasury 5 1/2%	1986-88	88 1/2	90 1/2	3.13	10	17 1/2	15 1/2	United Domin. Tst.	£1	31 1/2	31 1/2	4.21	
61 1/2	54 1/2	Redemption 3%	1986-96	61 1/2	61 1/2	3.17	0	5 1/2	4 1/2						
66 1/2	56 1/2	Funding 3 1/2%	1999-2004	65 1/2	66 1/2	3.15	0	12 1/2	10 1/2						
94 1/2	84 1/2	Treasury 5 1/2%	2008-12	94 1/2	94 1/2	3.12	3	16 1/2	14 1/2						
67 1/2	58 1/2	Consols 4% after Feb. 1957	67 1/2	67 1/2	3.12	7	18 1/2	16 1/2							
61 1/2	52 1/2	War Loan 3 1/2% after 1952	61 1/2	61 1/2	3.10	8	16 1/2	14 1/2							
59 1/2	52 1/2	Conv. 3 1/2% after Apr. 1961	59 1/2	59 1/2	3.12	0	17 1/2	15 1/2							
52 1/2	44 1/2	Treasury 3 1/2% after Apr. 1966	52 1/2	51 1/2	3.1	4	16 1/2	14 1/2							
44 1/2	38 1/2	Consols 2 1/2% after Apr. 1966	44 1/2	44 1/2	3.9	3	12 1/2	10 1/2							
43 1/2	38 1/2	Treasury 2 1/2% after Apr. 1975	43 1/2	43 1/2	3.10	5	14 1/2	12 1/2							
95 1/2	89 1/2	British Electric 4 1/2%	1967-69	94 1/2	95 1/2	3.10	6	61 1/2	50 1/2						
80 1/2	74 1/2	British Electric 4 1/2%	1968-73	79 1/2	80 1/2	4.2	11	18 1/2	14 1/2						
75 1/2	69	British Electric 3 1/2%	1974-77	73 1/2	75	4.2	10	13 1/2	10 1/2						
84 1/2	79 1/2	British Electric 4 1/2%	1974-79	83 1/2	84 1/2	3.17	3	10 1/2	8 1/2						
77 1/2	70 1/2	British Electric 3 1/2%	1976-79	76 1/2	77 1/2	4.0	10	13 1/2	10 1/2						
88 1/2	82 1/2	British Gas 4 1/2%	1969-72	88 1/2	88 1/2	3.17	0	10 1/2	8 1/2						
80 1/2	74 1/2	British Gas 4 1/2%	1973-76	79 1/2	80 1/2	3.19	6	9 1/2	7 1/2						
63 1/2	53 1/2	British Gas 3 1/2%	1990-95	62 1/2	63 1/2	3.17	4	10 1/2	8 1/2						
80 1/2	74 1/2	British Transport 3 1/2%	1968-73	79 1/2	80 1/2	4.2	11	9 1/2	7 1/2						
83 1/2	76 1/2	British Transport 4 1/2%	1972-77	82 1/2	83 1/2	3.18	5	13 1/2	10 1/2						
64 1/2	56 1/2	British Transport 3 1/2%	1978-88	63 1/2	64 1/2	4.1	3	12 1/2	10 1/2						

NEW YORK STOCK PRICES AND INDICES

	Aug. 29 \$	Sept. \$		Aug. 29 \$	Sept. \$		Aug. 29 \$	Sept. \$
Aitch. Topeka	22½	21½	Boeing	408½	393½	Int. Harvester	46½	46½
Can. Pacific	209½	201½	Celanese	36½	347½	Inter. Nickel	60½	61½
Pennsylvania Gas	11½	11½	Chrysler	54½	58½	Inter. Paper	26½	25½
Union Pacific	30½	30½	Col. Palmolive	39½	40½	Kennecott	68½	68
Amer. Electric	62½	63½	Crown Zeller	42½	40½	Monasanto	38½	38
Am. Tel. & Tel.	111½	110½	Distillers Seag.	40½	39½	Nat. Distillers	24½	24½
Cons. Edison	77½	75½	Douglas	248½	233½	Pan-American	19½	18½
Int. Tel. & Tel.	41½	41½	Dow Chemical	48½	48½	Procter Gamble	68½	66½
Goodyear Nat. Gas	43	43	Du Pont	104½	104½	Sealed Air	73½	73½
United Corp.	7½	7½	East. Kodak	100½	99½	Sherr Roebuck	73½	73
Western Union	28	27	Ford Motor	438½	428½	Shell Oil	33½	31
Alcoa	59½	59½	Gen. Electric	67½	65½	Socony-Mob. Ind.	51½	51½
Aluminum	22½	22½	General Foods	69	69½	Stand. Oil Ind.	44½	44½
Amer. Can.	43½	43½	General Motors	52½	53	Stand. Oil N.J.	52	51½
Am. Smelting	51½	52½	Goodyear	29	28½	Union Carbide	89½	89½
Am. Viscose	54½	54½	Gulf Oil	36½	35	U.S. Steel	43½	42½
Anacosta	41½	39½	Heinz	46	43½	West. Electric	27½	27½
Beth. Steel	31½	31	Int. Bus. Mach.	391	383	Woolworth	68½	67½

FOREIGN AND OVERSEAS STOCKS

FOREIGN AND OVERSEAS STOCKS											
FRANCE				GERMANY				HOLLAND			
Aug. 29	Sept. 5	Frcs.	Frcs.	Aug. 29	Sept. 5	%	%	Aug. 29	Sept. 5	%	%
Air Liquide	1,165	1,162	A.E.G.	398	393	398	393	A.K.U.	363 1/2	363	363
Banque de Paris	510	518.5	Bad'che. Antlirn	359	359	359	359	Bijenkorf	815	830	830
Citroen	183.5	189	Bayer	453	453	453	453	Heineken	457	470	470
C.F. Petrole	280.1	286	Commerzbank	410	410	410	410	Interne (Fl.50)	531 1/2	531	531
Cie. G. d'Elect.	1,265	1,271	Deutsche Bank	448	443	443	443	K. N. Hoogoven	Fl.180.5	Fl.180	Fl.180
Machines Bull.	500	500	Hochst Farb.	392	387	387	387	Kon. Zout-Ket.	718	718	718
Pechiney	246.9	245	Kundenscredit	374	373	373	373	Philips (Fl.25)	Fl.153.8	Fl.154	Fl.154
Printemps	517	539	Lowenbrau	890	890	890	890	Robeco (Fl.50)	Fl.206	Fl.206	Fl.206
Rhone-Poulenc	425.1	422	Mannesmann	219	217	217	217	Thordam Bk.	353	359	359
S.I.M.	364	368	Siemens	572	566	566	566	Thomson & D.	683	680 1/2	680 1/2
Saint-Gobain	172.9	172.9	Thyssen-Huette	184	185	185	185	Valeport	Fl. 481	Fl. 481	Fl. 481
Usinor	205	191	Volksbank	513	502	502	502	Zwanenberg	875	872	872
Index	98.0	98.6	Herstatt Index	87.25	86.59	86.59	86.59	Index	329.5	332	332
Dec. 30, 1960=100.			Dec. 31, 1959=100.					1953=100.			
ITALY				BELGIUM				SWEDEN			
Aug. 29	Sept. 5	Lire	Lire	Aug. 29	Sept. 5	Frcs.	Frcs.	Aug. 29	Sept. 5	Kr.	Kr.
Ass. Generali	138,700	140,900	Ass. Nat. de Bel.	28,000	27,950	28,000	27,950	Asea	238	245	245
Breda	5,740	5,670	Bque. Soc. Gen.	10,600	10,750	10,600	10,750	Elektrulux	123	124	124
Edison	3,800	3,845	Cockerill-Oug.	3,112	3,150	3,112	3,150	Ericsson B.Kr.35	136	136	136
Fiat	2,850	2,842	Esperance Lon.	5,600	5,450	5,600	5,450	Separator B.	292	303	303
Finsider	1,326	1,304	Hoboken	17,800	16,850	17,800	16,850	Sv. Cellulose	212	219	219
La Centrale	11,430	11,303	Phosphat	6,490	6,290	6,490	6,290	Sv. Handelsbank	188	188	188
Montecatini	3,022	3,125	Sidro. Gevaert.	2,815	2,835	2,815	2,835	Tandst. B.Kr.50	162	164	164
Motta	32,200	32,325	Soc. Generale	14,150	988	14,150	988	Index	171.62	172.36	172.36
Olivetti	7,970	7,962	Sofina	8,000	8,090	8,000	8,090	Dec. 29, 1956=100.			
Orrefili S.p.A.	6,050	6,040	Un. Miniere	1,000	1,272	1,000	1,272				
Rinascente	750	740									
Snia Viscosa	5,410	5,430									
Index	673.24	670.73	Index	409.7	411.1	411.1	411.1				
1950=100.			May 9, 1942								
NORWAY				FINLAND							
Aug. 29	Sept. 5	%	%	Aug. 29	Sept. 5	%	%				
BergensPriv'b.k.	217 1/2	217 1/2	217 1/2	BergensPriv'b.k.	217 1/2	217 1/2	217 1/2				
Borregaard	211 1/4	211 1/4	211 1/4	Borregaard	211 1/4	211 1/4	211 1/4				

[illegible]

Manpower and Output

Labour figures relate to Great Britain and production figures to United Kingdom unless otherwise stated.
M = Monthly averages or calendar months.
W = Weekly averages.

The following list shows the most recent dates on which each statistical page appeared.

BRITISH				
Prices and Wages.....	Aug. 25th	External Trade.....	Sept. 1st	
Manpower and Output.....	This week	Industrial Production.....	July 14th	
OVERSEAS				
Western Europe.....	Aug. 18th	United States.....	July 21st	

Unit	Midyear or averages			1961			1962				
	1959	1960	1961	June	July	August	April	May	June	July	August
TOTAL MANPOWER											
Working population:											
Total.....	24,145	24,436	24,650	24,650	24,723	24,757	24,723	24,786	24,809	24,857	...
Men.....	16,137	16,239	16,325	16,325	16,362	16,364	16,370	16,391	16,400	16,413	...
Women.....	8,008	8,197	8,325	8,325	8,361	8,393	8,353	8,395	8,409	8,444	...
Armed Forces.....	565	518	474	474	469	464	443	444	442	442	...
Civil employment:											
Total.....	23,197	23,628	23,925	23,925	23,975	24,000	23,877	23,957	23,995	24,035	...
Manufacturing industries.....	8,477	8,811	8,928	8,928	8,931	8,963	8,897	8,904	8,885	8,881	...
Employees:											
in engineering (1).....	3,545	3,741	3,799	3,810	3,797	3,818	3,823	3,820	3,810	...	...
in consumer goods industries (2).....	3,101	3,153	3,170	3,177	3,175	3,192	3,160	3,170	3,166	...	...
UNEMPLOYMENT											
By duration:											
All durations—total.....	475.2	360.4	340.7	265.9	258.6	305.2	438.8	423.8	397.2	400.4	464.4
Temporary.....	30.7	14.5	28.6	11.1	9.1	8.2	32.2	26.2	25.0	20.3	18.9
Wholly unemployed (3)—total.....	432.8	337.2	304.8	253.6	244.5	294.9	402.8	388.7	368.4	370.6	391.8
Seasonally adjusted.....	243.4	187.6	157.1	140.1	136.4	137.9	215.5	210.5	202.4	195.9	208.7
By regions (4):											
Great Britain.....	2.2	1.6	1.6	1.2	1.2	1.4	2.0	1.9	1.8	1.8	2.1
London and South Eastern.....	1.3	0.9	1.0	0.8	0.7	0.9	1.2	1.1	1.1	1.1	1.3
Eastern and Southern.....	1.5	1.2	1.1	0.8	0.7	0.9	1.5	1.3	1.1	1.1	1.4
South Western.....	2.2	1.7	1.4	1.1	1.0	1.2	1.8	1.6	1.4	1.4	1.6
Midland.....	1.5	1.0	1.4	0.8	0.9	1.1	1.6	1.5	1.6	1.6	1.8
North Midland.....	1.5	1.1	1.0	0.8	0.7	0.9	1.3	1.3	1.2	1.2	1.4
East and West Ridings.....	1.9	1.2	1.0	0.8	0.8	0.9	1.5	1.4	1.4	1.4	1.7
North Western.....	2.8	1.9	1.6	1.4	1.3	1.6	2.4	2.4	2.3	2.3	2.8
Northern.....	3.3	2.8	2.5	2.0	1.9	2.3	3.4	3.5	3.2	3.2	3.7
Scotland.....	4.4	3.6	3.1	2.8	2.7	2.9	3.7	3.5	3.3	3.5	3.8
Wales.....	3.8	2.7	2.6	2.1	1.9	2.1	3.0	2.9	2.6	2.7	3.1
VACANCIES											
Unfilled vacancies: Total.....	224	314	320	383	395	360	239	245	252	251	226
Seasonally adjusted.....	...	...	...	354	348	326	229	235	219	200	192
STOPPAGES OF WORK											
Working days lost: Total.....	439	252	254	268	174	121	246	204	107	65	...
in engineering (2) (13) industries.....	80.1	121	122	193	90	63	173	110	47	19	...
INDUSTRIAL PRODUCTION											
Index:											
All industries.....	1958=100	105	112	114	118	110	96	113	119	116	...
Seasonally adjusted.....	...	97	94	93	97	84	71	93	102	94	...
Mining and quarrying.....	...	106	111	120	121.13	...	122.4	...	...	...	...
Construction.....	...	103	110	116	100	95	92	122	116	101	...
Gas, electricity and water.....	...	106	115	115	121	112	94	114	120	118	...
Manufacturing, total.....	...	...	...	...	117	117	116	114	116	118	...
Seasonally adjusted.....	...	105	114	121	133	121	94	119	125	129	...
Engineering and electrical goods.....	...	94	85	86	84	82	84	90	88	87	...
Shipbuilding.....	...	109	118	109	118	111	80	112	122	113	...
Vehicles.....	...	111	122	124	129	119	112	126	132	131	...
Chemical trades.....	...	107	113	111	111	107	92	105	109	103	...
Textiles, leather and clothing.....	...	...	...	...	...	...	...	...	...	...	...
Basic material production:											
M/W averages											
Coal (7) (9).....	W	'000 tons	3,963	3,725	3,663	3,792	3,275	2,732	3,713	4,077	3,712
Pig iron.....	W	"	242	303	284	297	277	265	265	272	3,397
Steel, ingots and castings.....	W	"	388	467	425	447	380	338	410	430	2,834
Sulphuric acid.....	M	"	202.3	225.1	221.8	221.7	203.9	216.7	230.8	225.9	...
Newsprint.....	W	"	12.87	14.25	13.70	14.74	11.06	12.50	12.81	13.31	...
Electricity (7) (11).....	M	mn. kwh	8,764	9,904	10,631	8,817	8,515	8,306	11,281	10,964	...
Gas (12).....	W	mn. therms	53.5	55.7	55.7	47.8	45.0	40.8	60.3	54.6	...
Textile production:											
Cotton yarn, single.....	W	mn. lb.	14.58	14.44	13.21	12.08	11.77	12.40	11.21	12.84	11.06
Worsted yarn (9).....	M	"	19.34	20.40	20.52	22.38	19.78	14.96	17.61	21.21	17.30
Rayon and synthetic fibres.....	M	"	42.89	49.33	47.47	49.33	50.76	41.95	46.57	55.15	55.30
Cotton cloth, woven.....	W	mn. yds.	25.7	24.9	23.8	25.7	16.1	23.1	20.3	22.3	20.7
Wool fabrics, woven (9).....	M	mn. sq. yds.	30.4	30.6	29.3	32.8	29.5	23.3	22.6	30.4	26.0
Engineering production:											
Passenger cars and chassis.....	W	'000s	22.88	26.01	19.31	23.19	24.58	11.49	23.63	27.67	25.33
Commercial vehicles and chassis.....	W	"	7.13	8.81	8.85	9.61	9.30	5.36	7.52	8.35	15.79
Merchant ships (1).....	W	'000 gr. tons	116	109	116	113.13	100.7	...	...	94.13	5.57
Internal combustion engines (9).....	M	'000 BHP	468	577	587	645	547	445	626	...	...
Metal-working machine tools (9).....	M	'000	6,564	7,911	9,643	10,078	9,917	7,289	9,402	11,504	...
Television sets.....	M	'000s	238.6	178.4	104.7	97.2	93.0	64.2	111.0	132.7	...
Permanent houses completed (10):											
Total.....	M	'000s	20.78	22.44	22.40	24.38	22.16	21.92	20.95	24.22	24.12
For local housing authorities.....	M	"	8.29	8.60	7.74	8.39	7.47	6.98	6.97	8.96	9.84

(1) Vessels of 100 gross tons and over completed. (2) Engineering and electrical goods, shipbuilding and marine engineering, vehicles, metal goods. (3) Textiles, leather goods, clothing, food, drink, and tobacco, timber, furniture, paper, printing and publishing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) Excluding school-leavers. (6) Deliveries. (7) Great Britain. (8) Excluding all screening losses normally amounting to around 5,000 tons a week. (9) Average for third quarter. (10) England and Wales. (11) Generation for public supply. (12) Total available at gas works. (13) Average for second quarter. (14) On 1948 Standard Industrial Classification; later figures on 1958 classification. (15) Also including metal manufacture.

APPOINTMENTS



Central
Electricity
Generating
Board
Headquarters

A SYSTEM ECONOMICS ENGINEER

is required to take charge, under the System Planning Engineer, of the Economics and Mathematics groups of the System Planning Branch of the Planning Department at Headquarters, London, S.E.1.

The work will be principally directed towards forecasting the optimum broad pattern of development of the Board's generation and transmission system in a three-fuel economy and determining the sensitivity of such forecasts to variations in the basic assumptions. It will require the development and application of new or improved mathematical or statistical techniques for estimating the future operating regime and fuel consumption of existing and prospective generating stations of diverse types; for studying factors affecting reliability of supply, including load forecasts, plant margins and strength of interconnection; and for arriving at the relevant economic assessments. Excellent computing facilities are available.

This is a new appointment, essential qualifications for which are logical thinking, management ability, a good understanding of engineering economics and of the operation of a complex electricity supply system, and ability to present clear and concise reports. Experience in the employment of digital computing techniques in the solution of scientific problems would be an advantage.

• Salary within the range £3,330 to £5,755 per annum.

Applications stating age, qualifications, experience, present position and salary to the Appointments Officer, 24/30, Holborn, London, E.C.1, by 17th September. Quote Ref. ECO/441.

STATISTICIAN

We wish to appoint a chief statistician to our Market Research Department, which is located at our Head Office in the City of London. Responsibilities will include Statistical Control, Design and Testing of Research Techniques, and overall control of Desk Research.

Applicants, who may be male or female, should be in the age range 25 to 40 years, and in possession of a good degree in Mathematics or Statistics, possibly with post graduate qualifications. While previous experience in Market Research would be advantageous, that obtained in other fields would also be acceptable. The person appointed will have an enthusiastic approach to the problem of reviewing and selecting the most advanced techniques to ensure that we constantly employ the best available methods. This appointment is permanent and a first class pension scheme operates.

Please write stating full details in strict confidence to:—

The Personnel Manager,

The Nestlé Company Limited,
St. George's House, Wood Street,
London, E.C.2.

ESSEX

MID-ESSEX TECHNICAL COLLEGE AND
Market Road, CHILMSEORD

ASSISTANT LECTURER GRADE "B" IN
ECONOMICS required as soon as possible.

Applicants should have a degree or professional qualification and have had teaching or professional experience. Ability to teach banking or an allied subject would be an advantage.

Salary: Within scale £7.0 to £14.50 (higher scales apply for approved training and graduate qualifications). Increments above scale minimum for War/National service and previous recognised teaching/professional experience.

Application forms (which should be returned by 26th September) and further particulars from the Clerk to the Governors.

THE UNIVERSITY OF NOTTINGHAM

DEPARTMENT OF INDUSTRIAL
ECONOMICS

Applications are invited for a TEMPORARY LECTURERSHIP in the above Department, tenable for 2 years from January 1, 1963. Salary within the scale £1,150 to £1,575, plus membership of the Superannuation System for Universities and Children's Allowance. Conditions of Appointment and form of application, to be returned by Wednesday, September 19, from the Registrar.

UNIVERSITY OF BIRMINGHAM

FACULTY OF COMMERCE AND SOCIAL
SCIENCE

RESEARCH ASSISTANT. Applications are invited from graduates to work in the field of economics, pure and applied. Some knowledge of statistics or mathematics desirable. The appointment may be full-time or part-time. The full-time salary will be according to qualifications and experience on scale £4.5 to £5.0 to £5.0.

Applications, naming not more than two referees, should be sent to the Clerk to the Faculty of Commerce and Social Science, The University, Birmingham 15, from whom further particulars may be obtained.

MARKETING RESEARCH MANAGER

A leading food manufacturer, with headquarters in the Home Counties west of London, requires a Manager to start up a new service.

He will be responsible for collating and interpreting to the Marketing Director all information required to develop the Company's marketing policies and to control their execution.

Candidates, aged about 30, should be Honours graduates, with Economics as a major subject. They must have at least 3 years' responsible experience in marketing research for consumer products, preferably in the food industry.

Initial remuneration, dependent on experience, in the range £2,000-£2,500, Pension scheme.

Applications, in confidence, should be sent to Cravick, Orr & Partners Ltd., who are advising the Company on this appointment at 14, Hobart Place, London, S.W.1, quoting reference CJ 1670 on the envelope.

UNIVERSITY OF SYDNEY

SENIOR TUTORSHIP IN GOVERNMENT
AND PUBLIC ADMINISTRATION

Applications are invited for the position of Senior Tutor in Government and Public Administration.

The salary for a Senior Tutor is within the range £41,520 x 105-£42,360 per annum, plus cost of living adjustments (at present £4.42 per annum) and will be 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 should be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close in Australia and London on October 29, 1962.

BBC requires Research Assistant in Projects and Developments Section of Audience Research Department. Duties include design and supervision of special surveys and analysis and tabulation of results; preparation of attitude scales, tests and questionnaires and administration of these to experimental groups; writing reports. An Honours degree, preferably in Psychology, and knowledge of statistical methods desirable. Practical experience of social surveys, market research or similar work an advantage. Salary £905 (possibly higher if qualifications exceptional) rising by five annual increments to £1,155 max. p.a. Requests for application forms (enclosing addressed envelope and quoting reference 62/G.347/Lct.) should reach Appointments Officer, Broadcasting House, London, W.1, within five days.

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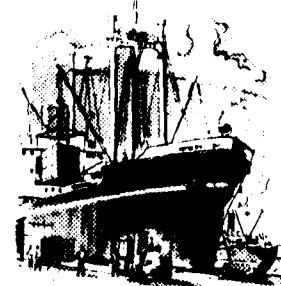
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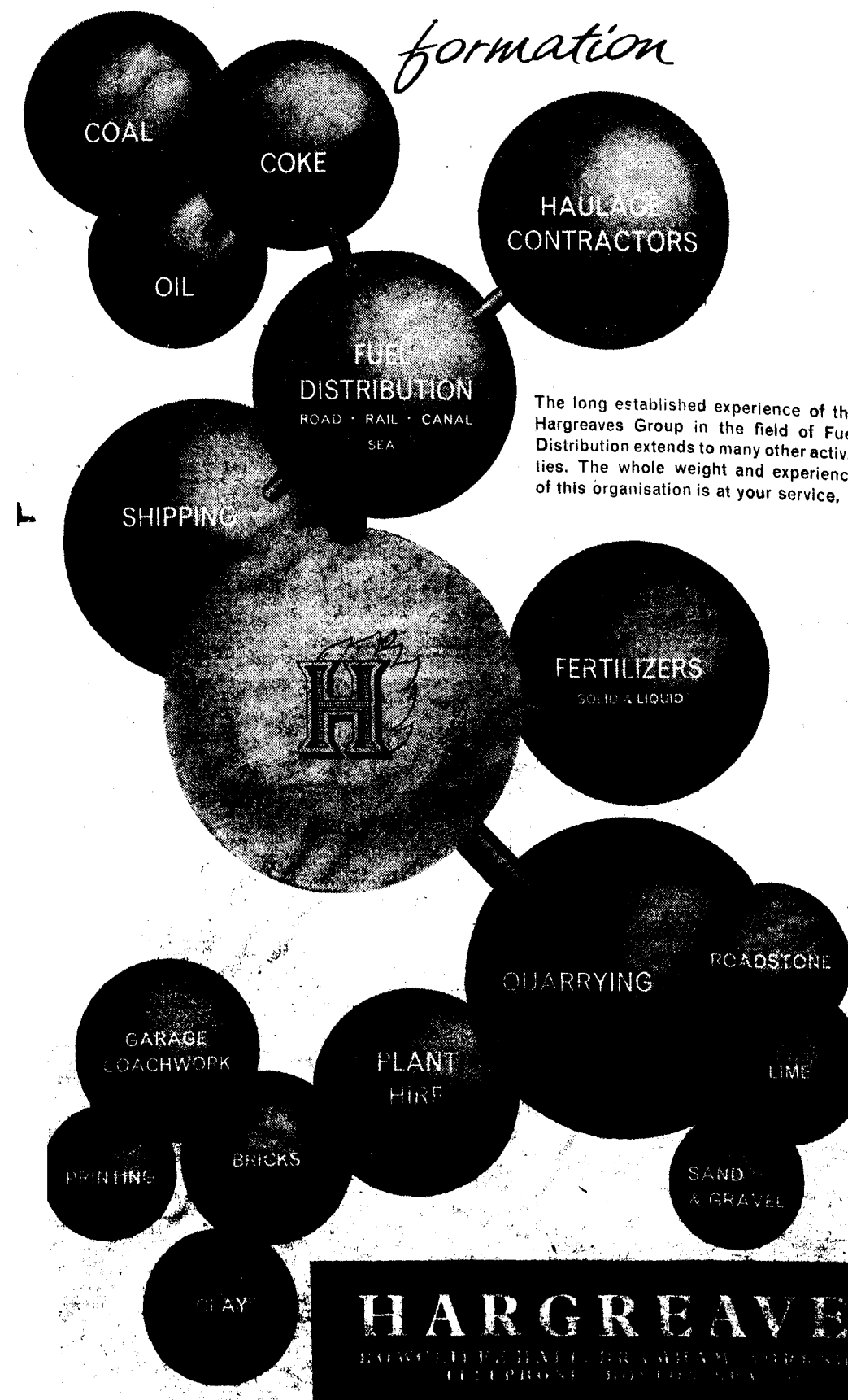
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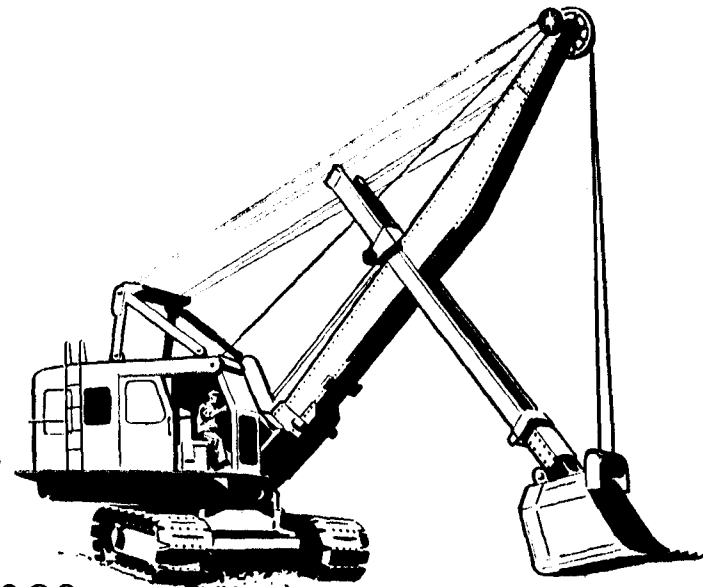
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