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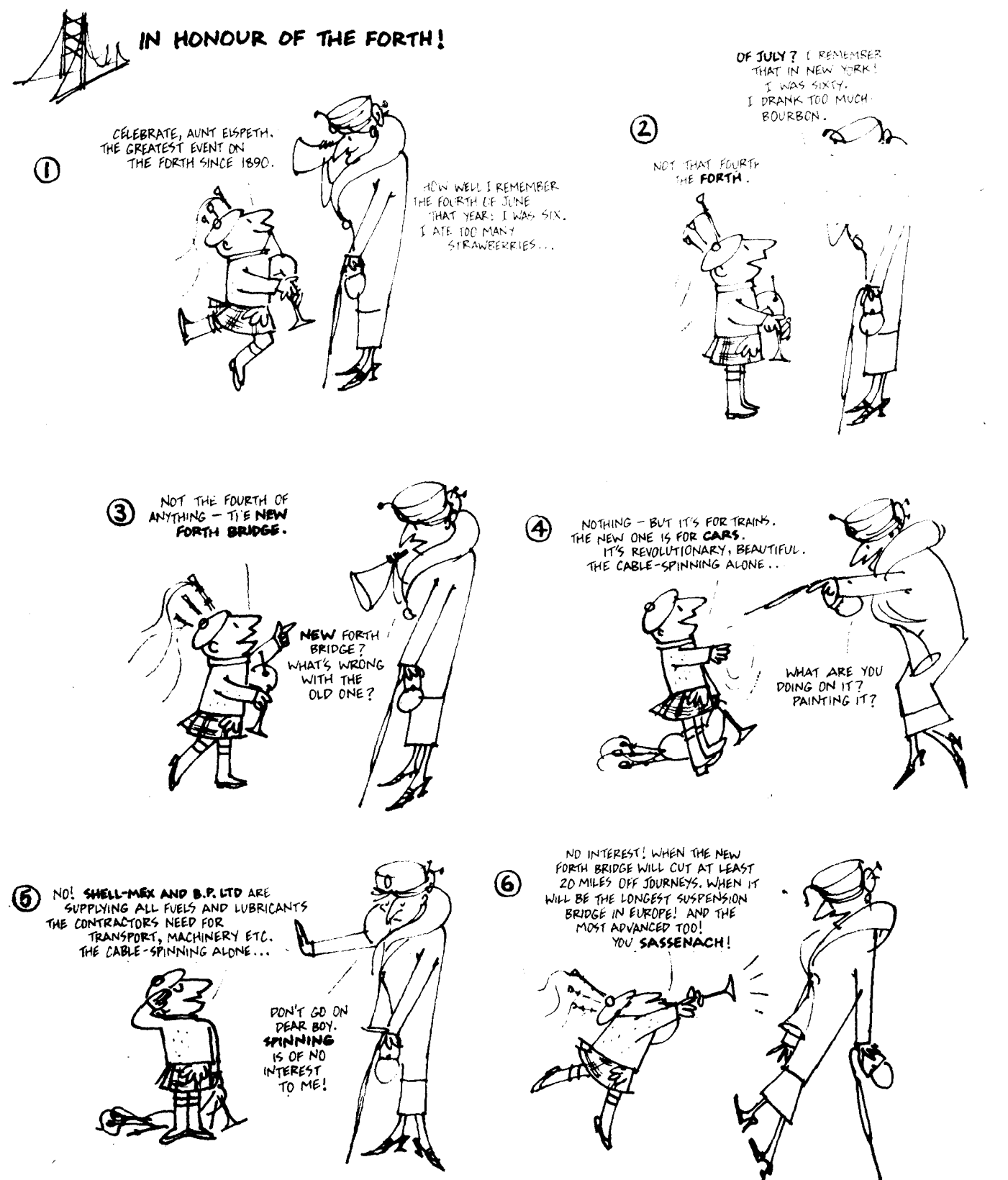
FOR GAITSKELL AND THE EMPIRE?

COMMONWEALTH SOUND AND FURY

ALL THIS—
AND CUBA TOO
BETWEEN TROIKA
AND TSHOMBE



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

The Economist this Week September 15, 1962

EUROPE

Fencing

Mr Gaitskell, having pushed the Labour party off the fence into opposition to the Government's European venture, is now trying to prop it back up again. If he fails, he will condemn his party to the loss of the support of the new radical left (p. 989).

For lack of a leader, the Tory right has not yet produced its anti-European insurrection (p. 997).

The Liberals, in their quest for a progressive theme at the annual assembly, could not do better than fire off their European guns as loud as possible (p. 997).

What Europe, with Britain included, can reasonably be expected to offer the Common-

wealth—and what the Commonwealth wants (p. 991).

Campaigning

General de Gaulle has won the hearts of the German people—but their heads still seem to be inclined towards bringing Britain in (p. 1017).

After the General, who? (p. 1019).

The French attitude to Mr Maudling's proposals at the International Monetary Fund meeting in Washington is as well known as the proposals: they see no reason for change (p. 1036). The other Europeans will be milder, but probably not much more helpful (p. 1037).

Trinidad would like to be an associated state, attached to Europe (p. 997).

Investing

The collapse of Herr Schlicker's interests arouses doubts about the future of German shipbuilding. What with a revalued mark, rising wages, and the need to re-equip, ship-builders have little room for competitive manoeuvre (p. 1035).

A report from Germany shows how German banks' foreign investments are distributed (p. 1042).

Scoring pointless victories over the Russians in Berlin now may mean reaping pointed rebuffs later—on ground of Russian choosing (p. 996).

OFFSHORE ISLAND

Self-improvement

Grouse-shooting, Britain's most patrician sport, is also an important industry in the poorest area in the British Isles (p. 994).

A new brand of tourist comes to Britain to learn the language of world trade: from many private schools they will return disappointed (p. 1013).

The latest Bank of England bulletin tells rich men how to earn a safe 16 per cent on their money (p. 1046).

Those responsible for hall-marking precious metals would do well to polish up their decorative traditions (p. 1015).

brothers abroad set about their problems (p. 1001).

Television cameras at the Blackpool Trades Union Congress made a strong case for their own admission to Parliament (p. 1002).

The Economist, too, faced the cameras this week (p. 1002).

Self-interest

A professor at Manchester makes such shocking remarks about incomes policy as to fit him for a seat on Nick (p. 1001).

Self-exposure

Their annual congress over, trade union leaders are setting off to see how their

Constituency Labour parties, by the resolutions they present to their annual conference, show themselves to reflect with surprising accuracy the preoccupations of ordinary people (p. 1014).

ELSEWHERE

Hemisphere

The outlook in the United States is for a stormy autumn as far as foreign affairs are concerned (p. 1025).

President Kennedy is having to settle for much less tax revision than he wanted this year (p. 1026) and he may have to settle for less free trade as well (p. 1027).

American capital investment is going up at home, although not enough, but it is falling off abroad (p. 1026).

The summer has ended with the American economy doing a balancing act (p. 1028).

American farmers are striking for the same reason as trade unionists do—to get a bigger and more stable return for their work (p. 1027).

New Hampshire's Republican primary was a free-for-all (p. 1028).

How America left Britain (p. 1004).

NEWS: President Monroe is dead (p. 996).

Whole World

The future of the United Nations depends largely upon what happens in the Congo in the next week or two—and for what happens there, Britain has a heavy share of responsibility (p. 993).

The meeting of major world airlines in Dublin this week has been a gloomy affair, marked by tears for present losses and mutual recriminations over massive, and illegal, discounts. Before they all put their fares up, they might get rid of some waste and inefficiency (p. 1033).

The Far Elsewhere

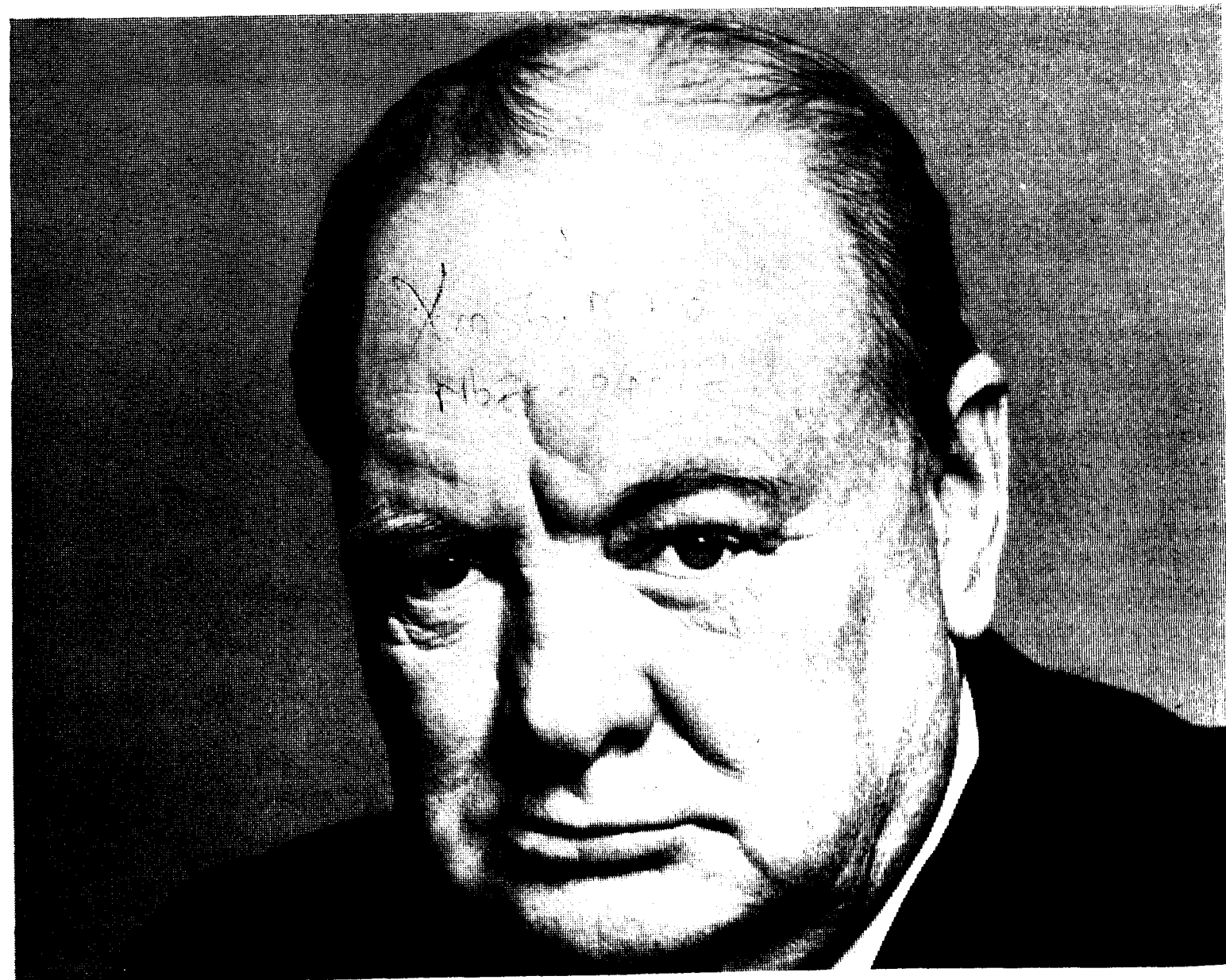
China: The Chinese communist government may be resolved to avoid any further discord with Indonesia, now that the friendship between the two countries has been patched up (p. 1020).

India: The real issue at the trial of Sheikh Abdullah, former prime minister of Kashmir, is whether a Kashmiri leader is to be allowed to put Kashmir's interests before India's (p. 1018).

Morocco is after the Spanish enclaves on its coast (p. 1001).

Ghana: What are the avenues open to dissenters? (p. 998).

Detailed contents on page 989



“WE UNANIMOUSLY ADOPT THE IDIOTIC SUGGESTION OF THE MINISTER OF PRODUCTION”

Who could be angry with such a man? Certainly not the Minister of Production himself—Lord Chandos—even though he found his ideas not always immediately acceptable to the P.M. Indeed, in this week's extract from his memoirs, Lord Chandos tells us that the famous bulldog expression went (sometimes somewhat reluctantly!) hand in hand with a genuinely magnanimous nature.

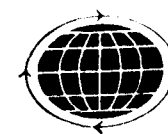
The portrait of Sir Winston Churchill in the Sunday Telegraph gives us some delightful and unexpected glimpses of the wartime leader—and written as it is by someone who was both a member of the Cabinet *and* a personal friend, it makes the most intriguing reading. Don't let Sunday go by without reading the Sunday Telegraph.

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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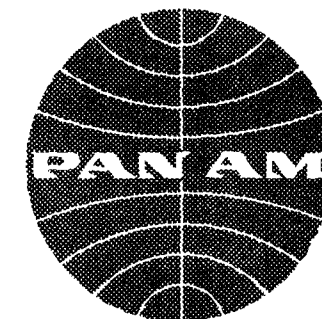
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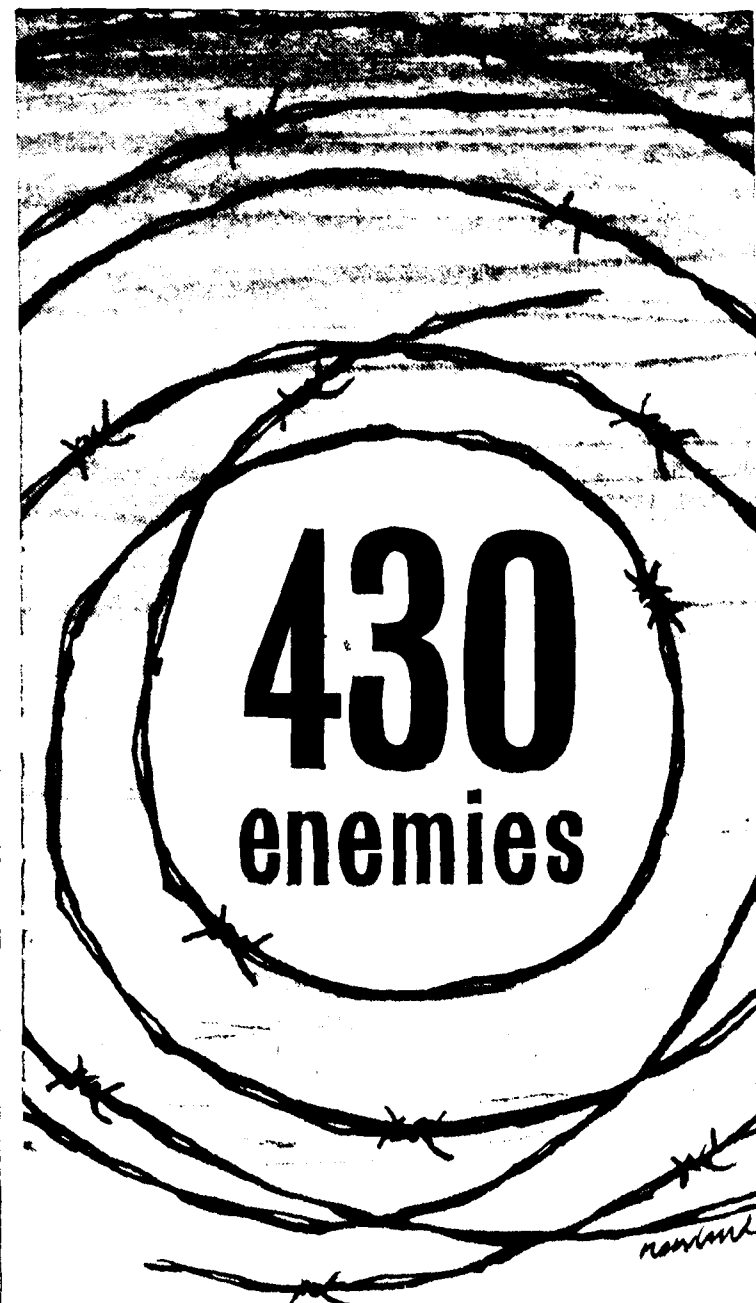
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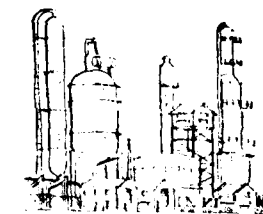
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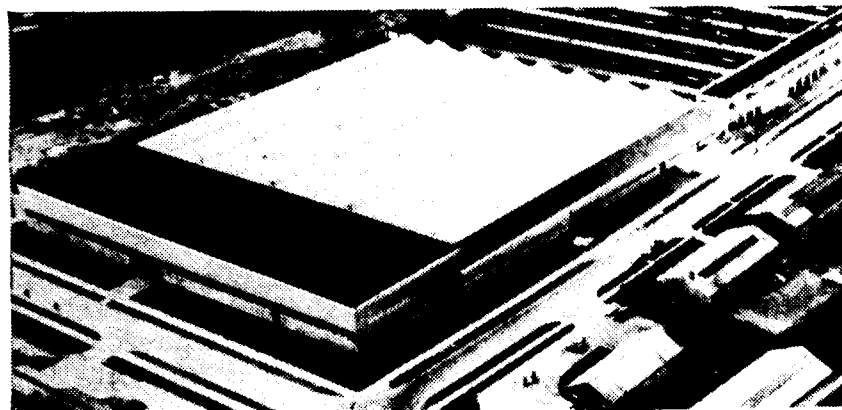
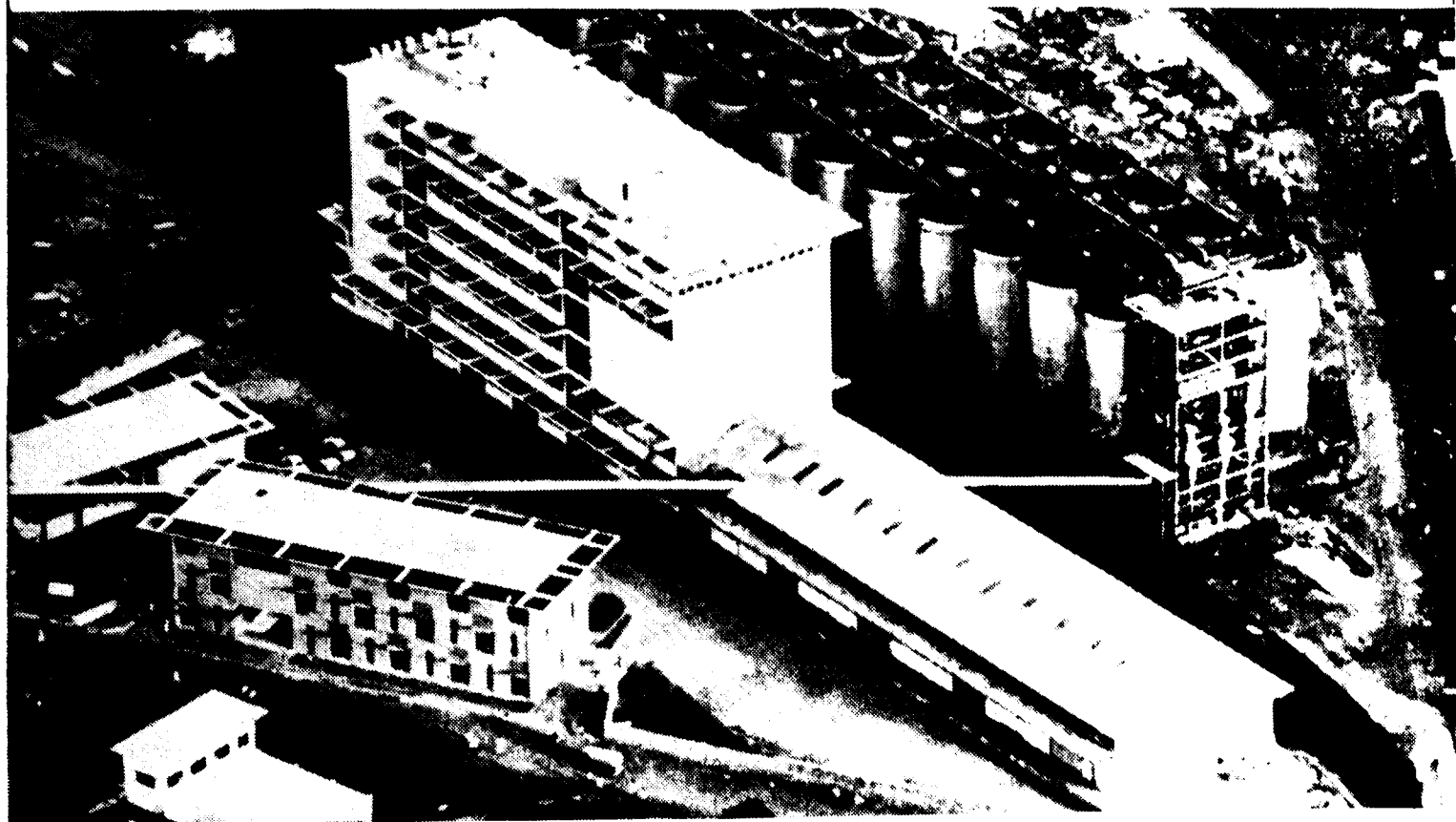


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The Economist

SEPTEMBER 15, 1962

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VOLUME CCIV · NUMBER 6212

For Gaitskell and the Empire?

LAST Saturday Mr Gaitskell brought the Labour party off the fence against the common market; he has spent the next few days trying nervously to push it back on again. It is almost unbelievable that so experienced a politician should not recognise the clang of finality that necessarily seemed to reverberate through his most publicised first statement; he said that Britain should not enter the common market unless it secured detailed extra concessions for the Commonwealth which everybody knows that it will not in fact be able to get. Or rather it would have been almost unbelievable if Mr Gaitskell had not been the man he is: a man, that is, who genuinely did not foresee the political boomerang that was bound to swoop back at him when he issued his statement, at the moment calculated to be of maximum mischief to Britain's European aspirations, and after getting into cahoots with leaders of Commonwealth Labour parties—among whom his duty should have been to act as a moderator for Britain instead of as a pure porte-parole for them.

Now that the boomerang has swooped back—with a blunt assault from Labour's most important and vivacious newspaper ally, the *Daily Mirror*, in the fore—Mr Gaitskell is trying to get out from under it. It is possible that he might eventually find an escape route by pretending that any further concessions which Mr Heath secures at Brussels are much bigger than they will in fact be; in this event last week's statement may still prove to be only about a nine weeks' wonder, and probably no lasting damage to Mr Gaitskell's reputation as a national leader will have been done. But if reasons of face prevent him from reversing course, an entirely new political situation in Britain will have emerged.

In examining why Mr Gaitskell issued his statement last weekend, only rather cursory attention need be paid to the reason which he himself adduced for it: namely, that he considers the terms which Mr Heath has so far secured to be less good than those he had hoped for. Nobody should question Mr Gaitskell's fine personal idealism about the newer parts of the independent Commonwealth, but only his seeming inability to raise himself from the role of counsel for it to that of counsellor to it. For the blunt truth is that the terms offered at Brussels so far are slightly better for the white Commonwealth, and very much better for the coloured Commonwealth, than anybody dared to expect a year ago (which is not to deny that, in Europe's own freer-trading interests, it would be wise for the Six to make the terms for both better still). The paradox that the older dominions have recently been slightly (well, very slightly) moderating their outcry against the common market, while the newer dominions have started to react much more fiercely against it, is simply explained: by the fact that the man in Tanganyika genuinely is less sophisticated in assessing such economic opportunities than the man in Whitehall. Unfortunately, there is a strange emotional streak in Mr Gaitskell's character which would make him regard it as imperialist arrogance to recognise this, and it has helped to still in him the voice of his former economic commonsense. For some reason he always regards it as progressive to speak out for Mr Nehru, even when his economic training may tell him that Mr Nehru is wrong.

A second emotional factor last week was Mr Gaitskell's anger at what he regards as the "unfair" way in which the Government is handling the common market issue. While Labour cannot make up its mind about policy and has

hitherto been saying so, Mr Gaitskell plainly believes that the Government has made up its mind but is still saying that it hasn't. There is increasing evidence that he is right. With three possible exceptions (of whom Mr Sandys is not one), one's guess is that the Cabinet has fairly unitedly decided that it will be in Britain's interests to enter Europe on the terms that now appear to be broadly available—and provided that internal political forces allow. The reason why ministers have not been saying this more openly is that they are afraid that, if they did, it would be impossible for Mr Heath to wring any further concessions at Brussels (and some further concessions, to repeat, are what we all want). Indeed they may fear that, if Britain were to become too open a wooer, the Six might be even more sticky when the time arrives for hammering out the last details than they have so far been in helping to sketch the broad outline.

One can see possible moral and tactical grounds for criticising this Government attitude, but Mr Gaitskell's own criticisms of it have been, to say the least, mixed. On the one hand, perhaps justly, he appears to regard the Government as too devious in thus disguising its real attitude of mind from the British people; on the other, he has publicly criticised the Government for "making it so obvious that they want to go into Europe," with the result that Mr Heath "has been asking for concessions at Brussels on his knees"—in other words, his criticism has been that the Government has not been devious enough.

OVERLAYING Mr Gaitskell's statement last week, however, were two more prosaic political calculations. First, he believes that a new tide of opinion is rising in the country against Britain's integration with Europe; and some of his lieutenants have told him that he has a great opportunity to collect votes for the Labour party from among it. Secondly, and for him most enticingly, some people have been saying that by coming out against the common market now Labour might be able to force the Government into an earlier general election. Both these assumptions require to be looked at in more detail.

It is clear that there has been a movement of opinion against the common market in recent months. In April, National Opinion Polls Ltd. reported in the *Daily Mail* that 47.1 per cent of the Britons they questioned were in favour of joining the market, 25.0 per cent were against, and 27.9 per cent didn't know; now it reports only 37.8 per cent in favour, 52.2 per cent against, and 10.0 per cent don't know. But the poll's breakdown of this opinion is fascinating. There is a definite differentiation as between age groups: a sizeable majority of those aged between 21 and 45 are in favour of entering, and a rather bigger majority of the over 45s are against. There is also a clear distinction between income groups: most white collar workers and a large majority of those earning over £1,250 a year are in favour of joining, and a sizeable majority of unskilled workers are against. Other soundings that have been taken—including some taken by political parties themselves—suggest that the biggest distinction of all may be between educational groups; the majority of those who have enjoyed full-time education past the age of 16 during the last twenty years are in favour of entering the market, while the majority of other people are against.

The sort of internal British opinion that has recently been

moving against the common market seems, in short, to be very like one large segment of the opinion that reacted so violently against Mr Gaitskell himself at the time of the Suez crisis: an alliance of the elderly upper classes and the blunt old traditionalist unskilled labourer class—the sort of people who instinctively believe that "wogs begin at Calais." (Moreover, this time they are not supported by many of the brash younger executive class—many of whom, undoubtedly if sadly, were firmly on Sir Anthony Eden's side at the time of Suez.) This is a mad sort of army for Hugh Gaitskell to think of leading into an election, even if he thinks that he might thereby be able to cause the election's date to be advanced.

WOULD a political fight over the common market cause the general election to be held next year instead of in 1964? Perhaps the best argument of those who say that it would springs from consideration of the probable timetable for the negotiations. Even if the Government can introduce the legislation required some time during the coming session of Parliament—say from about February—there will have to be some gap between this legislation and the date when it and any Brussels Treaty come into effect. Many people therefore think that the most probable date for actual entry into Europe will now be some time around January 1, 1964. So far, most commentators have assumed that the most probable date for the general election will be May, 1964. If the date for actual entry into Europe is January 1, 1964, this election would then be only four months after a British Government had taken the most portentous step in peacetime history. An election in October, 1963, on the other hand, might well be fought between the passing of the necessary legislation and the actual entry into force of the assumed treaty.

Some people, including some sincere Tories, would say that, if Labour opposed entry into the common market, to hold an election then—in October, 1963—would be the right thing to do. But—surely Mr Gaitskell's spies have told him this?—one is coming increasingly to believe that the Prime Minister would not. The signs are multiplying that Mr Macmillan regards it as his duty, as the thing that will send his name down into history, to lead Britain into Europe; if and when he gets in, he seems more than likely to want to defer the general election until the first results of the union have begun to appear. In fact, the delay in the Brussels negotiations may well have increased the probability that the election will not take place until the last possible date—in October, two years hence; the political and constitutional arguments against such a delay are less weighty than most commentators assume.

Nothing is certain in politics; that goes for the success of Mr Macmillan's efforts to get Britain into Europe during the present negotiations—and obviously, even more, for the achievement of the tentative target timetables suggested here. But it does now lie in the logic of history that Britain is likely to enter the common market some time during the next decade, and the probability is still pretty strong that it will happen in the next eighteen months. If it does, the party that opposes entry will find itself opposed by a majority of the young people, a majority of the educated people and a majority of the unjingoistic people in the country; it looks as if it will be supported among national daily newspapers

only by the *Daily Worker* and the *Daily Express*. When Mr Gaitskell took over the leadership of the Labour party seven years ago, there was much speculation where he would lead it; not many people forecast that he would lead it to this.

Moreover, he must know that many of the strange new allies in the electorate that his stand against the common market might immediately attract to him are likely to melt away very quickly. The softly traditionalist anti-marketeers would melt away as soon as we actually joined Europe, for being pro-market would then become the softly traditionalist thing to be. Most of the brusquely jingoistic standard bearers

The Sound and Fury

The Commonwealth prime ministers' protests analysed



AS the smoke disperses after the broadside which the Commonwealth prime ministers fired off at Mr Macmillan on Tuesday—a series of blasts that must have stirred grave doubts about the European common market in many British breasts—it is important to see what the ministers actually said. How many of the shots were fired over the heads of the Government? How many were aimed to kill the whole idea of British membership of the common market altogether? The objections can be divided roughly into three categories. First come some valid demands concerning the untied ends of the negotiation which Mr Heath and his colleagues in the Six meet again in October to tie up; some of these may even be satisfied. Next come the requests to reopen matters already agreed in Brussels; these would be much harder to satisfy without jeopardising the whole negotiations. Finally, there was a streak of root and branch opposition to the whole idea of British membership of the common market; this kind of opposition can and should be brushed aside. The following review of what the different prime ministers said attempts to separate what was reasonable from what was not, and to assess which of their demands deserve attention.

Holyoake: Moderation

As so often in the past year, the one Commonwealth country that could run grave economic risks through British membership—New Zealand—took up a position both calm and rational. Alone of the speakers on the stormy second day of the conference, Mr Holyoake gave proper attention to the useful results that British membership might produce in Europe itself. He had faith that the Commonwealth could survive "even the radically new state of affairs" to which British membership of a European political community would give rise. Just as the best friends of the Commonwealth in Britain are rarely found among those who shout the loudest, so New Zealand's attitude is a reminder that Britain's

would not be inclined to carry their banners behind Mr Gaitskell's leadership into an actual general election; one of the nicest things one can think to say of him this week is that he is not immensely beloved by them. Perhaps, when he has realised this, he will wisely, if undignifiedly, hurry back on to his former fence. But what a tragedy it is that the leader of what is supposed to be the radical party of the left has now destroyed all chance that he might ever go right over to the other side of the fence, and start marching just a little ahead of the Tories towards the most progressive and radical challenge of our time.

most loyal friends in the Commonwealth are not the most importunate.

Properly enough, Mr Holyoake also insisted that what had been agreed in Brussels so far about temperate agriculture was too vague for him. New Zealand needs harder guarantees for its main exports, butter, beef and lamb. Fortunately, the outlook here seems relatively fair. The Six agreed in principle last month to special arrangements for New Zealand, in addition to the general agricultural arrangements. Working out the details will be an early point on the autumn agenda in Brussels. Of the three main commodities, mutton and lamb need not cause problems, for there are no serious continental competitors with the New Zealand producers. Beef should benefit from growing consumption in Europe. Butter may be more difficult to settle. But at least the French have already offered New Zealand "comparable earnings" for their butter, if not "comparable outlets." There seems ground for cautious hope that New Zealand's main fears can be allayed.

Diefenbaker: Root and Branch

Canada also has some "untied ends" in the negotiations. Indeed, even Mr Heath would scarcely quarrel with Mr Diefenbaker's detailed trade demands—that tariffs on aluminium, lead and zinc, newsprint and canned fruits should be reduced. The requests, which the British themselves put forward last October, are due to be dealt with when the ministers resume their talks, and some kind of compromise seems inevitable.

But Mr Diefenbaker's main objections were more fundamental and less acceptable. He sees, or seems to see, British membership of the common market as a political threat to the Commonwealth idea and at times his arguments sounded a bit wild. Britain would continue to make its weight felt in the world inside or outside the common market, he said at one point. A moment later he wanted to know whether

Britain, in a European union, might not dwindle to a stature comparable with that of a Canadian province or an American state. He added a veiled threat that, if Britain joined, Canada might be drawn even closer into the magnetic field of the United States.

All this shows little sign of serious thinking about either Canada's future, or Britain's. The pull of the United States on Canada is a many-sided thing, exerted through many channels of life, and not, in the main, by one government upon the other. Who seriously supposes that the fact of it will be conjured away by keeping Britain out of the European Community? On the contrary, one would think that if there is a hopeful path for Canada in its continuing search for a national identity, it can open up only if Britain can first resolve its relationship with Europe. Thus, one would hope, a cause for dissension between communities of British and French origins might be removed; and Europeans and Americans would be given a chance to get their relations, in turn, in better order.

Nor is it surprising that Mr Diefenbaker should have been so reluctant to disclose his loudly hailed (indeed, not unobtrusively announced) "alternative" to British membership of the common market, for it appears to consist of little more than the suggestion that there should be liberal trade agreements, and more tariff negotiations through the General Agreement on Tariffs and Trade. President Kennedy and his advisers are well aware that their trade proposals—which offer the best hope of world-wide tariff cuts—depend in part on British membership of the common market. Nor can tariff talks in Gatt resolve the political problem Britain faces in Europe.

Menzies: A Pinch of Salt

Mr Menzies seems to have taken up position somewhere between Mr Holyoake and Mr Diefenbaker. He recognised that Britain might see a balance of advantage in joining, but he had some cutting things to say about the price Commonwealth countries might have to pay. Were they to pay most of the price, and indeed make out a blank cheque to the British at this meeting? Further meetings of some kind (he did not specify quite what kind) would be needed to weigh up the final terms.

The request for a later meeting is not unreasonable; what is doubtful is whether it will prove either practicable or sensible to have another grand gathering, soon, of all the Commonwealth prime ministers at once. Mr Menzies's plea on behalf of Australia's unfinished business in the negotiation was fair enough. Canned fruit, for what that is worth, still has to be settled; hard guarantees on cereal prices (affecting Australia's soft wheat) are desirable. Whether Australia's economic problem requires the weighty anxiety Mr Menzies is bestowing on it is another question. The moral for the British Government seems to be to press hard for better terms for the Australians, but to take the shouting from down under with a pinch of salt.

Asia asks for more

The most unexpected volume of opposition of all came, not from the old dominions, but from Asia and Africa. In the last analysis it was based less on economic considerations than on a deep suspicion, indeed in some ways a hostility,

towards a united Europe. Mr Nehru expressed this in one form when he said that unity in western Europe might increase tension between East and West, instead of reducing it. The argument can be heard on British Labour lips as well. But can it be seriously held, even in Asia, that the reconciliation of France and Germany is a bad thing in the long run, a thing un conducive to peace? Even if it could, the common market exists, the reconciliation is a fact and its consequences will go on unfolding. One would have supposed Mr Nehru aware that British membership of the common market would be more likely to strengthen the party in western Europe that favours policies designed to ease the east-west tension.

Both Mr Nehru and President Ayub Khan of Pakistan (a man sympathetic to the political aims of the European community) also put the familiar argument, often voiced very emphatically by *The Economist* itself, that markets must be provided for their countries' industries, and that without such markets the task of getting the struggling Asian economies on their feet would be made unnecessarily hard. The terms offered in Brussels, they both complained, were not enough.

Is this true? In negotiation Mr Heath has succeeded in obtaining two main guarantees for these countries. The community has promised to maintain, and indeed gradually to expand, its imports of cotton textiles, and to take immediate remedial action if they fall. The Six have also promised to negotiate long-term agreements to promote an expansion of trade. These agreements obviously ought to be negotiated quickly, and the fine principles given practical meaning. European countries, including Britain, are still a great deal less liberal towards the new emulators of Japan than they should be. But at least the terms agreed in Brussels recognise the need in theory and seem unlikely to make things any worse, in practice, than they are today.

Africa: Anti

Mr Goka, of Ghana, could hardly be expected to speak well of the European community, which he regards as a gang-ing up of former colonial powers. His reported threat to leave the Commonwealth if Britain joined, later denied, was also hardly a surprise. Whether the common market really has any relevance to Ghana's attitude to the Commonwealth club is another question. Ghana will stay in so long as it finds membership useful, and no longer. Certainly Ghana's hostility to the common market owes more to its own inner compulsion to be rid of all non-African influences than to anything the common market has done, or will do.

More actively a matter for regret is Nigeria's refusal to entertain the idea of association with the common market. The advantages are tangible—free entry to the whole of western Europe, together with the right to put tariffs on European goods at will, and the possibility of some increase in economic aid. They have been turned down, on the ground that links with Europe are neo-colonialist.

The difficulty is that alternatives for African countries are hard to find. Association is not really a political link; in the main it is a device to enable the preferences it embodies to get past the General Agreement on Tariffs and Trade. There is another baffling point. Sensibly, the Nigerians are interested in an African common market as an end of policy. How can they expect to get it, when the ex-French countries of Africa, with which they hope to work, are associated with

the European common market, which Nigeria shuns? It has to be said that the apparent Nigerian hope—to get equal economic terms with the present associates, without accepting the status that they have accepted, looks as idle as the similar hopes cherished by the British turned out to be in 1958. A faintly hopeful sign is that the African states did, after all, decide to sit in the sub-committee on association starting work on Thursday.

This week's debate seems to point to the conclusion that



U Thant



Between Troika and Tshombe

The problems that face the United Nations as its 1962 Assembly meets—finance, the Congo, the secretary-generalship—are inseparable parts of a whole

A YEAR to the day after Mr Hammarskjöld was found dead in the Rhodesian bush, the United Nations Assembly will sit down on Tuesday for its seventeenth regular session. A frieze of question marks hangs over the future of the organisation itself. Its finances are still imperilled by the failure of many members to pay their shares of the costs of its military operations in the Congo and Sinai. This assembly has also to tackle the problem of the secretary-generalship, which is not merely a matter of continuing U Thant in office (his present term will expire next April) but one of resisting the Soviet wish to destroy the office altogether. And there is no sign that the assembly is likely to moderate the pressure on colonial positions in Africa that led the British Foreign Secretary to announce "a crisis of confidence in the United Nations" at the end of 1961.

The seventeenth session no longer looks like having to withstand another personal assault by Mr Khrushchev in the grand manner of 1960; but there can be no question of this assembly proving a quiet one. In duration, it may not in the end match up to the marathon 1961 session, which, twice extended into this year with resumed debates in February and June, lasted altogether for five months. That gruelling experience moved the 1961 president, Mr Mongi Slim, to publish last May some proposals for abbreviating the procedure of debate which now appear as an agenda item, sponsored by Tunisia, on the long list for the coming session. There will be widespread support for this move to restrain the verbosity of a gathering which now numbers 104 delegations, and which will presumably be up to 109 very shortly, with the admission to membership of Rwanda, Burundi, Jamaica, Trinidad and Tobago, and Uganda. To cut the length of debate will in no way reduce its intensity; the effect may be to heighten it.

On the eve of the session, the financial outlook may be eased by the final passage through the United States Congress of the long-delayed bill permitting the Administration to buy United Nations bonds. Since U Thant launched the bond issue in December, 49 other governments have undertaken to buy a total of \$73 million worth, of which \$27 million have actually been paid for. With the costs of the Congo

if the Commonwealth is to be led to look to the future, and to set about moulding the new pattern of relationships that the common market is bound to precipitate, instead of leaving it all to others, then Britain must go on forcing the pace. The process of regional grouping that is spreading out from Europe is not going to be stopped. The Commonwealth could have played, indeed can still play, a most valuable part in it. But this will happen only if its members wish it. It will not happen if they choose to go on living in 1932.

operation running at their present high level, however, the whole \$200 million bond issue is no more than a short-term stopgap. The larger task of getting all members to contribute to special operations such as the Congo and the Middle East remains in question. (Arrears on the basic budget are negligible in scale.) Here, matters have been improved by the advisory opinion that the International Court gave in July, to the effect that the Congo and Unef (Middle East force) costs constitute UN expenses within the meaning of Article 17(2) of the Charter, which means that member states are legally bound to pay the assessments decided by the assembly. But the dissenting votes of the French, Soviet and Latin American judges of the Court were a clear pointer to the inevitability of a further sharp clash when the assembly reaches this item on its agenda.

Is a public clash over the secretary-generalship equally inevitable? At present, that is up to the Russians; and they have been holding their cards close to their chests. At the end of August U Thant rounded off his series of visits to European capitals by going to Moscow and also to Yalta, where Mr Khrushchev, holidaying at his Black Sea residence, took him boating—a ritual entertainment accorded to Mr Hammarskjöld, in similar circumstances, not long before the Soviet leader decided that the late secretary-general was a political criminal, and his concept of a "dynamic" UN a political anathema. The day Mr Thant reached Yalta, his staff issued his personal introduction to his annual report, a characteristically plain-spoken statement in which he directly endorsed Hammarskjöld's "dynamic" approach. Mr Khrushchev, for once anything but plain-spoken, seems to have kept mum, in his private talk with U Thant as in his public utterances, about both the renewal of the acting secretary-general's term and the still theoretically maintained Soviet demand that the single head of the UN secretariat must be replaced, for good and all, by a "troika" team which would give Russia a direct veto on all UN executive action.

The Soviet leader's dilemma is apparent. Unwilling to countenance any more freedom for the UN executive to act without Moscow's approval, he is at the same time reluctant to collide directly with the Asian and African countries' strong

resistance to any cutting back of UN authority. It is logical enough that he should have held his hand as long as possible; hoping, perhaps, that U Thant would prove willing to pay some price for an assurance of Soviet backing; perhaps, that the Burmese secretary-general would take some false step that alienated even his Asian and African friends.

MR THANT has not obliged—in either way. He firmly underlined his insistence on the independence of his office when, invited to record a statement for Moscow radio, he put into it these blunt remarks:

Let me be candid. When Soviet foreign policy did concern itself with what was happening in the rest of the world—for instance, in the Congo—it did so out of fear and suspicion. . . . I beg to be excused for saying that the Russian people do not fully understand the true character of the Congo problem. . . . If only they have the means of knowing all facets of the problem, they will certainly revise their opinion of the nature of the UN involvement in the Congo, and decide to shoulder their share of the heavy responsibilities now being undertaken by the world organisation. . . . I am not a believer in honeyed words.

Needless to say, although Moscow broadcast this passage in English, it was cut out of the version presented to the Soviet home public. But censorship does not spare Mr Khrushchev and his senior colleagues the painful realisation that they have a painfully honest man on their hands.

It is hardly surprising, then, that the Russians have stepped up their thinly veiled criticism of U Thant's Congo policy, just when its chances of succeeding look greatest. Last week an official Soviet government statement was devoted to attacking an alleged American-British-Belgian-French plan, the aim of which was said to be "to strengthen Tshombe's position, to prevent the reunifying of the Congo." The statement, although couched in the form of a reply to U Thant's appeal for support for his own latest proposals, carefully made no mention of these proposals as such, but sought to mislead its readers into seeing in him, and in the whole United Nations, mere tools of the "colonialists" in the Congo.

Whether this kind of misplaced ingenuity is well-aimed enough to weaken U Thant's position, and improve Russia's chances of trotting out the "troika" again, must largely depend on the course of events in the Congo in the next week or two. It ought to be pretty clear, before the assembly has sat for more than a few days, whether Mr Tshombe's outward acceptance last week of the new UN plan is genuine or merely another instance of the practice, shrewdly summed up by the blunt Thant in his annual report, by which Mr Tshombe and his backers "make gestures of reconciliation, leading to no practical results, whenever the pressure builds up, while at the same time seeking to further the aims of secession." And this in turn is crucially dependent on the extent to which the secessionists feel confident that they can go on defying the Congo government and the UN because they can count on British benevolence.

Officially, Britain has associated itself with the UN plan, but it has openly deprecated all idea of applying any really effective pressures to ensure that Mr Tshombe and his friends accept it; and the eye-catching inclusion of Major Patrick Wall, a prominent parliamentary champion of the Tshombe regime as well as of the Portuguese record in Angola, in the British delegation at the coming assembly, may be widely interpreted as a straw defiantly streaming against the UN wind. It should not be necessary to rehearse here once more the full tale of the consequences of a policy that seems to present Britain to the world as the principal sustainer of the Katanga secessionists. What is directly relevant is that the swift settlement of the Congo problem is now vital to the UN, both because of its financial difficulties and because of its need to develop an effective executive arm—the development which the Soviet "troika" was designed to prevent. British ministers, in shaping their next moves in regard to the Congo, need to be clearly aware that these questions are now of one piece, and that, for the UN, a further setback in the Congo must mean a falling back along the whole line.

No Grouse Grumbles

A look at the industry which covers perhaps one half of the area of Scotland



usually be got hold of not too far from Whitehall, shooting away at small but delicious birds.

The mass execution of grouse driven over a line of concealed gunmen is Britain's favourite patrician sport. Like so many other time-hallowed traditions, it was made fashionable by Queen Victoria herself and has been kept in fashion by her descendants. The sport, like the process of British imperialist expansion, rests solidly on the achievements of Victorian technology—the quick-firing breech-loading gun and the spread

of the railways into the remoter regions. It retains its air of leisured ease, and the Twelfth of August, when the season opens, provides a gossip-columnist's field-day.

Grouse shooting is fated to remain an exclusive sport, for the red grouse is a pretty exclusive bird. Unlike the other game-birds—the pheasant (originally Chinese, reputedly introduced to Britain by the Romans) and the partridge—grouse thrive only in Britain, and in Britain the only country they really like is the desolate moorland and mountain stretching from Derbyshire right up to the north of Scotland. Grouse—again unlike the other game-birds—cannot be artificially reared for shooting; or, if they are so reared, they only wander off to the neighbouring estate. All that can be done is to encourage the young heather which is their natural food by burning off the old growth, and to keep down their natural enemies, foxes and crows. (Their worst foes, eagles, hawks, and gulls, are protected by law: keepers would dearly love to have a go at them, and perhaps they sometimes do on the quiet.)

THE best grouse country is on the moors of Yorkshire and Westmorland (where Mr Macmillan generally goes for the Twelfth): the record bag of all time was made in Yorkshire when eight guns slaughtered 2,929 birds in a day. But that was in 1915, a peak year for powder and shot on all counts. Nowadays birds are scarcer, and the Nature Conservancy is running an inquiry into the causes of the decline. It seems most probable that the burning of heather, while it improves the young growth in the short run, is inclined in the long run to impoverish the soil. A dearth of grouse can be a serious matter for some parts of Scotland, which draw such prosperity as they have from the spending by outsiders (usually from the south of England) on the allied Highland bloodsports of grouse-shooting, deer stalking and salmon fishing. There are horror-stories around in the Highlands of how landlords have had to return the rent to tenants dissatisfied with their poor bags.

A typical Highland grouse-moor, with shooting for eight and a lodge for some of them to stay in, might fetch around £2,500 a year in rent; usually the expense is shared among the members of the syndicate who rent it. A peculiarity of grouse-shooting is that there is no conceivable means of increasing the available acreage devoted to the sport (perhaps already about half the extent of Scotland). In fact, it is feared by some that, as the plantations of the Forestry Commission spread across the Highlands, the shooting area will get smaller. New entrants, ambitious for the glamour and the genuine pleasure of the sport, are constantly trying to get into the act. Prices are shooting upwards. Last year a large estate of 80,000 acres in Ross and Cromarty, including salmon fishing, stalking and grouse country, was sold for £420,000. Money is pouring into the Highlands not only from American sportsmen—or reputedly from American firms established in Europe, seeking a way of not repatriating their profits—but also from entrepreneurs such as the Swiss businessmen who recently bought an estate on Royal Deeside.

The sport itself is a pretty spartan affair. Its devotees spend much of the day crouching in butts—holes in the ground that sinisterly remind any ex-serviceman of fox-holes—hiding partly from being spotted by the driven birds, partly from being ravaged by the tearing wind, and partly from being peppered

by reckless neighbouring shooters. The beating in many parts of the Highlands is traditionally a perk of whisky distillery workers during the seasonal lay-off for the dry summer: they will probably ask £2 a day. Elsewhere there are no distilleries, and the job will be done by up to forty school-children, at £1 a day. A sinister recent trend is that children have begun to threaten to strike for the odd five shillings; one can see their point, as they earn their money well by walking for 25 miles or so over steep heathery slopes.

Once on the wing a grouse, with the wind behind it, can reach 60 miles an hour by the time it gets over the guns: plenty of cartridges—at 7d. a bang—are wasted. The wildest birds refuse to fly over the guns at all, and escape backwards over the line of beaters. Keepers and landlords are quietly delighted when this happens, or when they have a particularly inaccurate group of shooters: it means a good breeding stock for the next year. The whole present trend in the sport, in fact, is to try to think up new rules in favour of the grouse. Landlords are well aware of what has happened in the United States, where over-efficient shooters armed with repeating shot-guns have made it necessary to ban duck-hunting in some areas altogether, for fear that the ducks might be totally exterminated.

There is, however, one day when the incentive to bag as many birds as possible is strong. On the Twelfth of August birds can fetch up to £1 each; they are dispatched by jet to Scots exiles—and gourmets—all over the world. Scotsmen think it absurd that the Savoy or the Waldorf-Astoria should pride themselves on offering grouse to diners on the night of the Twelfth itself, since an old grouse does not really taste very good without being hung for ten days, and a tender young bird is practically tasteless early in the season anyway: but they are not averse to the income they provide (and they are apt to be resentful of the unfair competition from Yorkshire birds, nearer to the southern market). Later in the season birds fetch only around 17s. 6d. a brace: one man in charge of a Highland shoot calculated that he makes just about enough by the sale of birds to pay his beaters for a whole month of sport.

THIS still leaves grouse shooting as a pretty expensive way of spending a holiday. One City man estimated that he spends around £500 a year on taking his family of four to the Highlands for three weeks in August (he shoots: the children spend their time fishing for trout in the lochs, messing around by the sea, and generally enjoying the country). And there are other expenses on top of this: Land-Rovers and weird, warm clothes are absolutely necessary to face the rigours of a windy Scots summer. A good retriever can do marvels for his master's prestige, and is needed for finding birds that may fall beyond a hill. A pair of hand-made guns can cost well over £1,000—but then this can be amortised over a long period. It is not at all unusual for a man to use his grandfather's 60-year-old 12-bore; and those perfectionist craftsmen, the gunsmiths of London and Birmingham, rely more and more on their impeccable reputation abroad.

In all this luxury spending lies the patriotic Scotsman's dilemma. It is obviously annoying to see Sassenachs and other foreigners throwing their money about in the poorest area of the British Isles, suffering at once from depopulation

and unemployment. But then what else can be done with the land devoted to grouse? Sheep are sometimes profitable—but the demand for the coarse wool of the only breeds that can thrive on high ground has a most uncertain future. Cattle-ranching (which is incompatible with grouse-shooting, as it demands the replacement of heather by grass) has succeeded in a few glens, but only in those that have enough lowland to provide grazing during the months of snow. Anyway, unlike grouse-shooting, it has to be subsidised by the Exchequer.

Forestry is spreading as fast as the capital can be made available: most planting is still replacing the timber cut down during the war, and is not yet inimical to grouse. The growing sport of skiing takes place above the height where grouse live, and gives jobs in the winter to some of the men who work

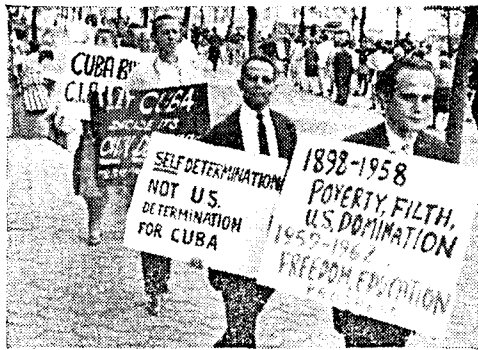
for the shooters in the summer. Tourism of a humbler kind sometimes conflicts with shooting—especially when hikers with dogs walk across the moors just before a drive, or in the early summer when the birds are nesting. But the Highlanders are well aware that most tourists never leave their buses, and that those who choose to tour on foot are unlikely to spend a fraction of the money put down by sportsmen. The three months of the shooting season do provide some jobs in the Highlands (ideally, eight workers are needed for each gun): and for the privileged—such as keepers—the tips are high even when the pay is low. And the carting away of the corpses also provides a bare minimum of traffic for Dr Beeching's least profitable railways. All in all, Scotland has no cause to grouse about the grouse.

NOTES OF THE WEEK

MONROE DOCTRINE

Times Change

“OUR policy in regard to Europe . . . is not to interfere in the internal concerns of any of its powers. To consider the government, *de facto*, the legitimate government for us.” This, though some Americans may not recognise it, is part of President Monroe's historic doctrine—though not the part currently in favour. Monroe's successor, Mr Kennedy, has been under pressure from sections of American opinion, since the arrival of Russian military instructors in Cuba, to invoke quite another part of the doctrine: the part that forbade the European powers to extend their political system to any portion of North or South America.



Dissenters in New York.

This pressure on Mr Kennedy (discussed more fully on page 1025) should not be underestimated. The demand for enforcement of the Monroe doctrine, or at least the convenient bit of it, comes from part of the Democratic party, as well as from many Republicans. Since it was Mr Kennedy who in the presidential election in 1960 accused his opponent, Mr Nixon, of having “presided over the communisation of Cuba,” the demand touches a sensitive spot in this new election year.

And yet—may it be said?—the world has changed somewhat since the Monroe doctrine was formulated 139 years ago. Then the American insistence that the European powers keep out of the western hemisphere had a counterpart: an American determination to keep out of the tangled affairs of Europe. Things are different now. The United States stations its forces, conventional and otherwise, along the boundary of the communist world (in one case, Berlin, inside that boundary: the east Germans, among others, might well wonder about that undertaking “to consider the government *de facto*, the government for us”).

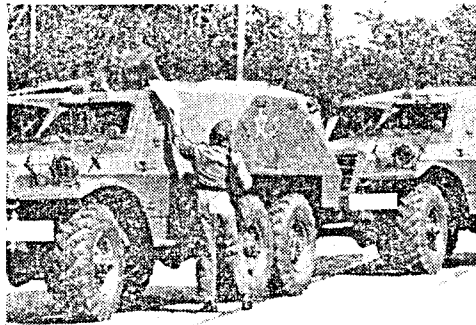
Without this American readiness to interfere in its affairs, Europe would be in a bad way. But an awkward question is bound to arise, and seems to be arising now. Can the United States expect successfully to enforce, without any exceptions, one part of the Monroe doctrine, when it has abandoned the attitude to world affairs that underlay the doctrine? The United States government, aware of the hostages it has given to fortune in Berlin and elsewhere, may not need to have this pointed out; but many Americans have not seen it yet. Mr Khrushchev may even say one day (he hinted at it in his statement on Tuesday) that his attitude to the western presence in Berlin depends on the American attitude to the Russian presence in Cuba.

BERLIN

Another Famous Victory?

NOT only in its Cuba policy, but also in Berlin, Mr Kennedy's Administration is much favoured just now with exhortations to firm action. One result is

hailed as a vindication of policies of “firmness.” Rightly, or wrongly? The Russians would be foolish to clash head-on with the West on western ground, when they can so richly repay the West on ground of their own choosing: it might be in the air over Berlin, or on the long road from Helmstedt. The West should be seeking workable arrangements in Berlin, not sham victories. And where



A British request.

does this idea come from that the morale of the Berliners depends on their being sheltered from reminders of the Russian military presence all around them? That presence, as well as the history that gave rise to it (of which the ugly Russian war memorial itself is a not unsalutary reminder) are the facts that Berlin has to live with. One would think it more healthy that the facts should be visible than that they should be muffled.

CONSERVATIVES

Still No Revolt

CONSERVATIVE backbenchers must have suffered from some acute anxieties this week, as they read the assiduously-leaked reports of the speeches of the visiting Commonwealth statesmen, and as the implications of Mr Macmillan's new, tougher and more committed tone of voice about the common market began to sink in. But, in so far as one can possibly gauge at a time when the House is not in session, there are no signs of a real backbench revolt.

The potential insurgents are still lacking any true leadership. Lord Salisbury is the only right wing Tory of national status and he, as a good imperialist, is a supporter of Britain's joining Europe. The appeal of Mr Robin Turton, Sir Derek Walker-Smith, and Lord Sandwich is severely limited, to say the least. In the Commons the nucleus of their strength remains the ten or so Tory irreconcilables who have lingered on since Suez. To these might be added, at the outside, a further thirty dissidents, only some of whom are expected ever actually to vote against the Government. In fact the chances of Conservative members going into the No lobby have been much diminished by the hardening of Mr Gaitskell's attitude against the common market. To be found in the same

stable as the official Opposition is not a fate which even the most rabid Tory anti-marketeer would welcome. In any case the voting record of the right in Parliament has not been an heroic one. Snarky and undebated motions, saying one thing but meaning another, are the weapons they prefer to use. As the House was not sitting this week, no such motions could go down.

When the Commonwealth conference is over, the Prime Minister—presuming he is still determined to press on into Europe—should now make up his mind to sound a clarion call in the country and at the party conference. His difficulty all along has been to strike an emotionally responsive chord in his followers, but he may now have found one in his emphasis of the need to avoid a third European conflict. By this emphasis he has managed to turn the most appealing of the pro-Commonwealth arguments inside out. Another profitable line of approach for the conference may be to present Britain's entry into the market as part of that return to national greatness which is always near the Tory heart. But thirdly, and most important of all, the Prime Minister should be able to use what Lord Kilmuir once called the Tory party's secret weapon—loyalty. At heart the Conservative party is still a deferential party and likes to follow its leaders. Moreover the Llandudno conference seems likely to take place at just about the time when Mr Heath may be in the middle of another session of sitting up all night, and nobody wants to be beastly to him.

LIBERALS

With Sails Unfurled?

THE Liberals at their conference next week at Llandudno will have their greatest opportunity for many years to capture the imagination of the country. Whether they do so or not will depend largely on themselves. They can either seek to pick up every possible protest vote by whatever means, or they can genuinely attempt to put themselves at the head of the new political currents that are flowing through the country. This is not the moment to try to appear politically clever (which is why some of their tentative new industrial policies should be quietly buried), but to appear wise and courageous about the one overwhelmingly important issue that now lies before the country.

The keynote message which Mr Grimond should send ringing forth is that there will be no, repeat no, trimming of Liberal sails on the common market issue despite the anti-market protests which have been echoing this week round Marlborough House. To trim now would be a fundamental error, since the point that the Liberals were the first party to come out in favour of the market is the one fact about them that really has penetrated the consciousness of the average man. The Liberals can justly

claim that if their advice to negotiate had been heeded earlier the conditions for Britain's entry would have been better than Mr Heath can get now; they should certainly make clear their opinion that Europe would be wise to offer better terms than it is doing; but they should also say that, on the terms so far offered, the Liberal party believes that the clear balance of advantage is on the side of going in.

To say this boldly and outspokenly would not only be to say what the Liberal leaders believe, but would also be to take the course best calculated in the long term to pay off in political dividends. Mr Grimond should learn from Mr Gaitskell's mistake. To start wobbling on the common market issue for the sake of picking up a few votes from the farmers of Chippenham or the colonels of South Dorset would shake the whole foundations of the Liberal revival. They are now at the stage where they can afford (indeed should welcome) being attacked for their outspokenness, but cannot afford to be sneered at for any vacillation.

WEST INDIES

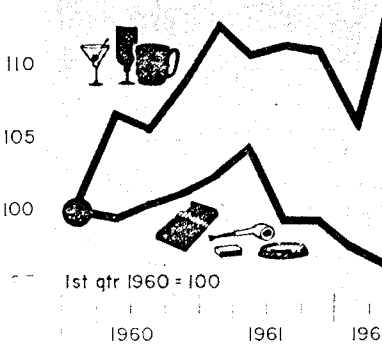
Europe in the Caribbean

AS befits the two youngest members of the Commonwealth, Jamaica and Trinidad have, in their very different ways, illuminated the dusk of the prime ministers' conference with flashes of clear-eyed originality. With an old troupers' instinct for timing, Sir Alexander Bustamante, the prime minister of Jamaica, emerged from Tuesday's fervid meeting remarking with limp fatalism that there was no need for a multiplicity of words since Britain was going into Europe no matter what was said or who was

WORRIED?

Still less spending on tobacco and a leap in spending on alcoholic drink in the second quarter. Has the report of the Royal College of Physicians (March 7, 1962) disturbed the smokers enough to curb their indulgence? Are they turning to drink to soothe their shattered nerves?

Volume of spending; seasonally adjusted



hurt. On Wednesday, Dr Eric Williams, Trinidad's leader, carried this argument a long stage further by not only accepting, but welcoming, Britain's step. A weak Britain, he said, was no use to his country: he saw both Trinidad and Britain strengthened by the European connection.

Sir Alexander's eyes are turning towards North America (though those of Mr Sangster, a likely successor, are not). Dr Williams is "European" in his outlook and his hopes. Trinidad, with its economy based on oil, sells to the Six as well as to Britain; some of its best customers in the Caribbean are the non-British territories of Curaçao, Surinam, Guadeloupe and Martinique. But Dr Williams's imagination ranges beyond the immediate effect on his own country: he sees in European unity, including Britain, the inspiration and the instrument that might one day bring order and integration to the scattered mosaic of Caribbean islands.

The malaise that lingers on after the slow death of federation makes it improbable that in the short run any of the smaller British West Indian territories (with the possible exception of Grenada) will accept Dr Williams's invitation to join Trinidad and Tobago in a unitary state. Until these insular passions subside, Trinidad is off on another tack, working its way towards a more extensive, but less binding, form of Caribbean unity. Guadeloupe and Martinique are already associated with the European Economic Community through their dependence on France; Trinidad would come in, it seems, on the heels of the British.

Dr Williams makes the point that these territories, together with Surinam (self-

governing, but still effectively attached to Holland) might do better economically, and on more acceptable political terms, if they could present the united front of a Caribbean economic community. A movement in this direction has already started. Economic experts from Trinidad and Surinam have paid visits to each other, and Dr Williams hopes to meet the prime minister of Surinam in Europe. The French government, according to Dr Williams, agrees in principle with the suggestions concerning Guadeloupe and Martinique. If a Caribbean economic community comes off, it will be open to all countries—except those going in for state trading. This effectively excludes Cuba.

At present Trinidad sells much more to the other Caribbean territories than it buys from them, and Dr Williams hopes that any association between the two communities would allow Trinidad a protected market in the Caribbean. There are possibilities for expanded inter-island trade; Surinam, for instance, could sell more aluminium and more rice to Trinidad. But Dr Williams gets his real impulse from the need to bring order to a disordered region. If the European common market is the lever for this, then, he says, thank God for the common market.

GHANA

Dangerous Insurance

ASSASSINATION is a deplorable way of destooling a chief, or getting rid of a ruler, but, in the absence of elections, it tends to present itself to young revolution-

aries as the only way. The Ghanaians have never been given any reason to doubt Dr Nkrumah's intention to remain firmly in charge of his country for as long as he possibly can. To many of them, including the sympathetic crowds outside his palace, this may seem no bad thing. Ghana is, after all, the most go-ahead country in black Africa. More Africans are in positions of responsibility in Ghana than in neighbouring countries; and the whole purpose of the revolution initiated by Dr Nkrumah is to put Africans in charge of affairs all over their continent.

But men in charge, even when black, must expect dissent. Dr Nkrumah has rejected dissenters; he surrounded himself with sycophants. It must be at least partially as a result of this that he is experiencing a series of attempts upon his life, the latest of which was a bomb explosion outside his official residence on September 9th. In this case at least two innocent bystanders were killed, and several injured. One way to steer dissenters clear of the path of violence is to give them an opportunity to speak at least within the governing party if not outside it. Given no such opportunity, the most responsible men, respecters of peaceful, constitutional methods, might pause before vetoing revolutionary kinds of opposition. What will such men make of the unanimous vote taken in Ghana's parliament on September 7th to keep the Osagyefo as president for life? Or the vote that followed on September 11th, calling, by an overwhelming majority, for the introduction of a one-party system? These measures may be challenged in Ghana's courts as unconstitutional; but Dr Nkrumah might ask himself what he, in his days as a non-violent fighter against the British, would have done if the courts themselves had seemed to be loaded directly against him?

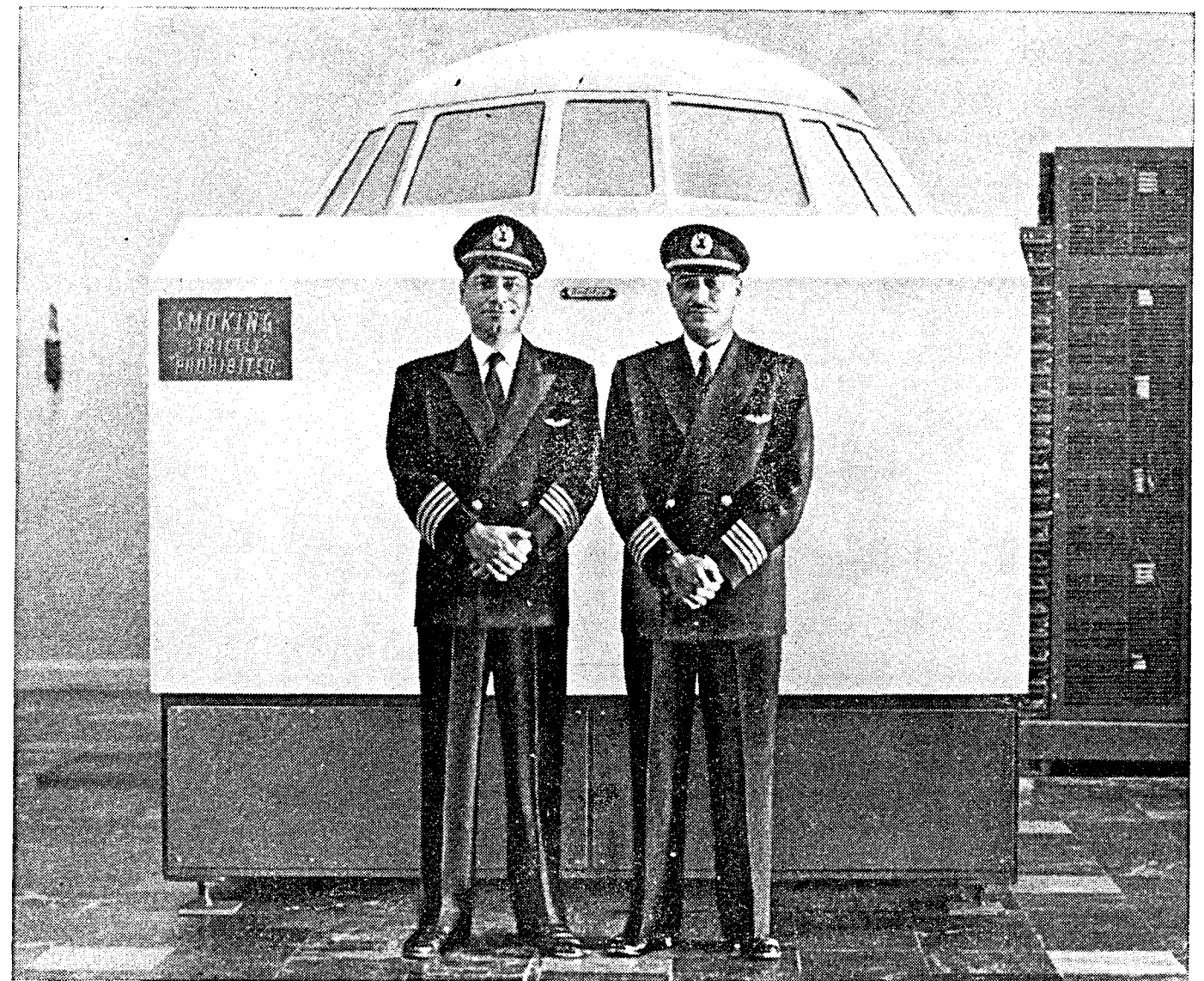
ALGERIA

Before the Elections

THE problem of the Kabyles, said Mr ben Bella at a recent interview with the Tunisian weekly *Jeune Afrique*, will not be hard to settle; their leader, Mr Belkacem Krim, will be offered the job of deputy leader in the new government. It would be fine if all Algeria's problems, including this one, could be solved so airily; as things are, it is still hard to see how Mr Belkacem Krim and Colonel Boumedienne, chief of the regular army, will fit easily into the same picture. Colonel Boumedienne provided another demonstration of his present ascendancy by refusing to be cheated of his victory march into Algiers, even though the city had been demilitarized under the terms of last week's truce. After a series of urgent consultations between Mr ben Bella and the colonel, a "token" force of 4,000 men entered the city at the weekend.

This arrangement with Colonel Boumedienne has at least given Mr ben Bella a chance to turn to his country's frightening

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The Economist

SEPTEMBER 13, 1862

DISTRESS IN LANCASHIRE

There is scarcely any more baffling problem in practical life than how to distribute charity so as to relieve distress, without doing as much harm as good—especially where the charity is boundless and the distress extensive and unquestionable. The more it is seen and known, the more perplexing does the work become to a conscientious labourer in the field of benevolence. "People are starving: give liberally," cries the bystander or the casual visitor, "and all will go well. It is no time now to be scrupulous or careful." But the humane and inquiring man, well-informed as to the state of his district, and thoroughly acquainted with the habits and characters of the people among whom he lives, is often made aware that to give liberally is in too many cases only to multiply distress, to paralyse individual exertion, to fatten habitual mendicancy, and encourage easy supineness, rather than to meet and mitigate the privations of the really suffering and needy. . . . The fact is, the case

[of Lancashire] is one of singular difficulty, and we must proceed with great caution if we do not wish to repeat among a far worthier population all the consummate errors and mischievous follies of the Irish famine. There need be no starvation, as in that case; and there will be none, unless the administrators of legal and voluntary charity should be goaded by "sensational" writers to gross mismanagement and recklessness. There is food enough to be had, and to be had at reasonable prices; there is property enough to meet any rate; and there is benevolence enough to provide ample funds for the sustenance of those who ought not to come upon the parish. The essential points to be watched are, that too lavish and too early a distribution of eleemosynary aid do not sap the spring of individual exertion, and that too ignorant and indiscriminate relief do not permit the lazy vagabond and the professional beggar to intercept the stream of bounty designed for the struggling and respectable artisan.

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economic troubles. The elections for a constituent assembly, now to be held next Thursday, will, in effect, be a vote of confidence in Mr ben Bella; the electorate has only to accept or refuse a single list of 196 names. The political bureau, which is now reduced to Mr ben Bella and four of his supporters, is to have the task of providing "political orientation" for the new government. In pre-election style, Mr ben Bella has spoken of land reform and new jobs in the towns; his more immediate problem is to crank up the dying mechanism of administration. Financial help has been coming in from various outside sources, principally from the United States, and the French government has been doing what it can to keep the public utilities working; it has been uphill going since most of the French civil servants left for France. Mr ben Bella claims that the French are starting to return to Oran and other areas; he may have encouraged some returns by his threat to confiscate property not claimed within a month. One of the tests will be whether the teachers come back in time for the beginning of the school term on October 1st. After the Bizerta incident last year, the French teachers left the Tunisians in suspense until the very last moment; nobody knows what they will do this time.

TRADES UNION CONGRESS

Mr Woodcock's Excursion

DIRECTLY the Trades Union Congress ended last week Mr George Woodcock, the general secretary, set about packing his bags for Israel, on the first of his voyages of exploration to see how trade union leaderships abroad manage their affairs. What he sees should certainly confirm him in his presumed objective of trying to reform Britain's straggling trade union structure. It is particularly encouraging that he is to take along with him on the trip to Sweden the strongest possible team of top general councillors. In Sweden they will find a social-democratic trade union federation that is not only unimpeachably anti-bomb and pro-underdeveloped-country but also extremely strong on economic realism—a combination that should have a particular appeal for Mr Frank Cousins, and that could reinforce the alliance between him and Mr Woodcock that some people believe began to burgeon at Blackpool.

But perhaps the TUC will argue that what goes on in Sweden in the way of agreement to limit wage increases is made possible by the fact that successive social democratic governments have seen that increases in national prosperity are fairly shared out among all classes. If so, let them be specific about what features of Sweden's taxation or other policies they consider should be repeated here; let us have a hard and specific report in terms of such things as what proportions of the national income wages and profits take in Sweden compared with Britain—and why. So far the TUC's

mutterings about its willingness to co-operate with some sort of national incomes policy, but not with Mr Maudling's, have been as hard to pin down as Mr Diefenbaker's remarks about alternative possibilities for expanding Commonwealth trade if the common market negotiations fail; it is not surprising that they have therefore carried just as little conviction.

NATIONAL INCOMES COMMISSION

Waiting for Nick

ONE of the most balanced analyses yet made of "The Uses of Nick and Neddy" appears in an article in the latest issue of the *District Bank Review* by Professor C. F. Carter of Manchester University. Without raising extravagant hopes, he believes that these two bodies "have a logical and potentially useful part to play in changing the institutions and loosening the assumptions which bind the British economy." Neddy's task should be to try to influence the civil service and establishment forces to be more in favour of growth, while Nick's should be to influence wider public opinion to be less in favour of abstract principles of "fairness" (the sort of "fairness" which says that if wages go up in industries that need labour, they must also go up in industries that don't, even though that leads to a rise in prices which is then held to justify everybody else getting another increase to start the spiral moving again).

The experiment of Nick, says Professor Carter bluntly, will fail if public opinion accepts the old principles of justice, or devises some new inflationary principles for itself (such as that the conduct of nurses in *Emergency—Ward* is relevant to the fixing of nurses' pay). Therefore the National Incomes Commission must, to succeed, speak with a convincing voice, showing why an unjustified award of 10 per cent is equivalent to robbing one's fellow-citizens. . . . What is needed here is a body acceptable to people in their capacity as consumers. . . . It will be a task of formidable difficulty to create such a body, but the attempt is worth making.

And, says Professor Carter with a touch of left-wing asperity, the present day "assumptions of the owners of capital or property are just as much in need of questioning, and of setting against the general public interest." He would like to see a separate commission (which might, perhaps, impinge into the field of making recommendations about taxation?) set up to consider them.

Last month some newspapers reported that Nick was being slow to get off the ground because several people who had been asked to be members of it had hastily refused. These stories were quite untrue. Up to a fortnight ago, at any rate, the Government had not seriously approached anybody, perhaps partly because it had not yet made up its mind what sort of a body Nick should be: whether it should be the

old tripartite sort of committee in which retired trade unionists and employers politely tone down what each other wants to say, or whether it should be a commission of outsiders picked for qualities of blasphemous candour. The latter is what is needed; the right sort of choice, on the evidence of this article, might well be Professor Carter himself.

MOROCCO

African Pinpricks

FRICTION about the Spanish enclaves in Morocco is flaring up again, as it has done periodically since 1774, when the Moroccans attacked the *presidios* of Ceuta and Melilla. King Hassan's government, having unilaterally extended Morocco's territorial waters from six miles to twelve, has been sending out patrol boats to exploit the consequent opportunity to harass Ceuta's fishing fleet. Spain has sent half a dozen warships to protect the fishermen, and Spanish spokesmen have been expressing concern at Moroccan imports of Soviet arms.

The current campaign in the Moroccan press, calling for the liberation of these Spanish-held coastal towns, as well as of Ifni and the Spanish Sahara, is strident but not unexpected. In recent months, Mauretania, which the Moroccans also claim, has been consolidating its independence; among Mauretania's African friends, the Moroccans have found themselves outnumbered. The remaining points of Spanish power in north Africa are a more promising target, in that the African and Asian members of the United Nations could be expected to approve their "liberation," even by force, just as they approved India's seizure of Goa. It is true that the "Spanishness" of the *presidios* is beyond argument; they have been Spanish cities since the fifteenth century. But ethnic composition and sovereignty do not invariably coincide, as the Europeans of Oran are learning, and as Morocco's irredentist minister for Islamic affairs, Mr Allal el-Fassi,

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well knows. It may be assumed that the American embassies in Madrid and Rabat are busy with soothing advice, which may, for the present, have its effect.

SYRIA

Civilians on the Ladder

SYRIA, the first Arab country at the time of the Suez crisis, in 1956, to break relations with France, is again the leader in restoring the formal link. On September 9th, Syria resumed diplomatic relations with France (economic and cultural relations were fully revived some years back), and Jordan and Saudi Arabia followed suit soon after. Lebanon is the one Arab country that never broke with France in the disasters of 1956. It is tempting to see in the Syrians' decision to mend their breach with France at this time an attempt to project their obsessive quarrel with the United Arab Republic into the international field. But, at least for the time being, they are trying to keep that dispute on home ground. The Arab schisms that are tearing at the weak guts of their own league will, it is hoped, be kept beneath the surface when the United Nations assembly meets again next week.

Criticism of the way in which Syria's leaders have handled relations with Egypt is one of the reasons behind the growing pressure for a change of government. The present cabinet has the army's blessing, and the army's hand on its shoulder, but it is lamentably hamstrung by the fact that it represents no political party or group. Although economically Syria is doing well, its government's lack of confidence has led to a number of muddled and contradictory situations. But the army has made clear its reluctance to imperil the present stability by allowing back the heterogeneous elements of the national assembly it dissolved in March. As a compromise, it is now being suggested that Mr Khaled Azm (probably Syria's most formidable politician) should preside over a new government that would have the double job of preparing for elections and enabling the old assembly to disband itself in a more constitutional fashion.

The plan, with which it is hoped to appease the army, is that the assembly should meet only to reinstate, with certain changes, the 1950 constitution; it would then allow itself to be dissolved. But, when it comes to the point, it is doubtful whether the deputies, who have been missing the salaries they earned in the golden months between December and March, would allow themselves to be liquidated again so quickly or so easily. If they once get back, they may well try to sit it out until elections are held, in perhaps a year. In the meantime, Mr Khaled Azm would try to steer Syria out of its present confusions and firmly to the right. One of his chief aims is to woo back the money that the Syrians themselves have been investing outside the country. But

NOTES OF THE WEEK

whether Mr Azm will be given the chance to try his hand depends, at the moment, on the army stifling its qualms.

POLITICS ON THE SCREEN

Cathode Ray Conference

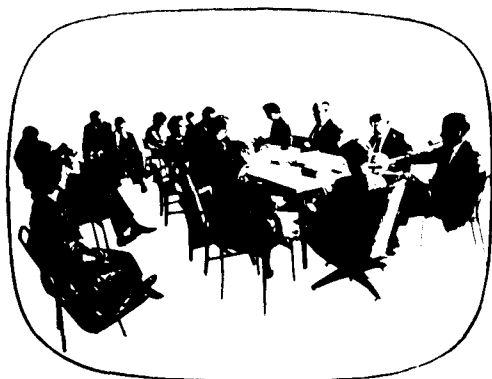
THE Trades Union Conference was the scene of an experiment that could be as important as a reform of the union organisation itself; for the first time ever television viewers in the north could watch the whole proceedings, unedited, on their screens, the occasional gaps being filled in by comments from experts (or other observers) and by interviews with the main personalities. Granada Television, who have long been the most enterprising independent television company, will also be televising in full the Liberal and Conservative annual conferences at Llandudno, while Southern TV will televise the Labour conference at Brighton. It is expected that the party conferences will be available to the whole nation outside London, where the local contracting company is apparently unwilling to risk boring its customers for the public good, even during these off-peak daytime hours.

Practically nobody but a masochist would want to watch a party conference all the time, and only a few may want to watch it for some of the time; but it is a breakthrough in education for democracy that people should have the chance. The televising of these conferences should give some clues whether other debates of public importance—from planning inquiries to Parliament—should also be televised live. The first reaction after seeing the TUC under the electronic eye is an enthusiastic Yes.

The traditional objection to televising debates has been that the speakers might be distracted, and the proceedings transformed from an exchange of views into a public circus. But at Blackpool the cameras, despite the irritation of arc lamps blinding straight into the chairman's eyes, were soon forgotten. The buffoons and exhibitionists were in no way encouraged to show off, nor were the shy inhibited. (When one speaker made a blue joke some viewers complained to Granada, but delegates took it in their stride.) It has become obvious that many of those who say they fear that the quality of debates will be changed mean that the quality will be raised, and their own performances correspondingly devalued—or alternatively that their absences will be more generally noted. But it must be said that the cameras at Blackpool did not noticeably change the numbers of those snoozing or slipping out for cups of tea at selected dull moments. Parliament will (and should) certainly have to allow the television cameras to come and look at its most important debates before many years are out; hitherto one had supposed that it might only be prepared eventually to allow selectively edited films, but it now seems likely that politicians may be quite quickly conditioned to being televised live.

THE ECONOMIST SEPTEMBER 18, 1962

THE ECONOMIST



THE odd drawing above has an odd origin. It is one of the props used in a BBC television programme by *The Economist* last Monday (the fourth by British weekly journals of opinion) and represents the editorial conference deciding what to put into the week's paper. Deciding what to put into Monday's programme was a novel and nervous exercise. It was easy to decide that the thread should simply be the editorial staff discussing the themes of the week in politics and business, at home and across the world. The difficulty is that conferences are not what is called good television. There is no reason why they should be: the mumbling, the cross-talk and the non-sequiturs and allusive half-sentences that make up conversation are all right among friends and colleagues; journalists, after all, have to be read, not seen or heard. So the truthful portrait of the paper's staff talking things out has to be touched up; it has to be staged without making it stagey (which the BBC did patiently well on Monday), and even then some of the best lines will be lost because that's how the speaker speaks.

The alternative is to fake the portrait: to drop out of the programme all those, however important in the paper's running and thinking, who do not "come over" well and put on only the televisual members of staff and outside contributors; obviously, if the purpose of the programme was not (as on Monday) to present the paper as it is, but simply some of its ideas, this would be the right contrivance. In time, maybe, every paper will have to have a duplicate staff, from editor downwards, just for television; or, less expensively, nobody will be put on the staff unless he passes the screen test. This indeed is now the universal danger of the television age: that nobody in any job over a frighteningly large range of the nation's life and work will be regarded as being any good at his job unless he is good at television, too. All in all, this series of programmes (which were designed to fill the gap while the BBC's own "Panorama" of current affairs was on holiday) has been a thought-provoking experience which put the pen-pushing reputations of all of the journals that took part very much at risk.



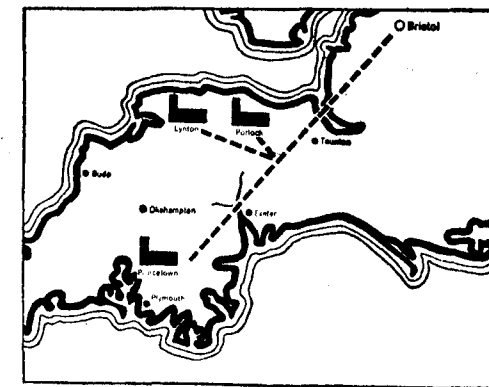
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BOOKS

Why Britain Lost America

Lord George Germain

By Alan Valentine.
Oxford University Press. 542 pages. 63s.

TO the question "Who lost the American colonies?" history, in the opinion of most observers, British and American, has returned a pretty steady answer: "George III and Lord North." Henceforward, thanks to Mr Valentine, it will seem unjust not to add another name, that of the Secretary of State for the Colonies, Lord George Germain—later, for his services, Viscount Sackville.

It is odd that a figure who so directly presided for so long over the decline of British rule and arms in North America should have had to wait so long for his biographer. Lord George, then and since, has not lacked for critics, or even for encomiasts, but as the Third Man of an inglorious trinity he has evaded that full trial before history's bar which biographers have repeatedly accorded to his prime minister and his sovereign. In part, as Mr Valentine suggests, this may be due to the baffling contradiction in the verdicts of contemporaries, combined with the curious dearth of personalia—letters, diaries, odds and ends—in which the private man might reveal himself. Yet it is surprising that this very elusiveness has not earlier exercised that "compulsive fascination" which Mr Valentine admits finding irresistible. There is about Lord George and his long secretaryship so much that cries out for explanation that one is tempted to say that no one can grasp the quiddity of eighteenth century politics unless he has understood how such a man, in such circumstances, could hold such an office for so long. The explanation owes something to *Namierism*, but more to an understanding of the eighteenth century English mind and society.

It is Mr Valentine's triumph that, returning to historical scholarship relatively late in life, he has got inside the mind of the age and of his particularly "period" subject so well that the Lord George who takes shape in his pages becomes a credible as well as a fascinating figure. The career he narrates is indeed an extraordinary one. Born a Sackville, rising rapidly through the conventional channels of politics and influence to the position of "Commander-in-Chief of all His Majesty's forces on the lower Rhine," Germain had attained by the age of forty-three to the highest post of active command in the British Army. All this he jettisoned on the battlefield of Minden by an inexplicable and flagrant disobedience of orders, for which he reaped

the execration and contempt of all levels of society, enduring at either end of the social scale the traditional penalties of the public snub and the burnt effigy. Yet within six years of Minden and five of his court-martial, this was the man to whom George III entrusted the administration of the rebellious colonies and the conduct of the American war.

In this position of pervasive responsibility, so far from redeeming the errors of his earlier career, he positively compounded them. "Under his direction," as Mr Valentine bluntly puts it, "the British cause in the colonies moved from the decent and the possible to the indefensible and hopeless." Served by commanders who, at their best, like Carleton, were fine soldiers and even at their feeblest, like Cornwallis, were doing what they could in an impossible situation, he allowed personal grudges to wreck all confidence between London and the men in the field, alternated between too much and too little direction, sought refuge from responsibility for reverses in equivocal instruction, placed his own political fortunes ahead either of justice to his subordinates or service to his country, and yet—perhaps most extraordinary of all—did not atone for any of these errors of administration by any triumphs as a parliamentarian; it was seldom that Germain, for all his crass self-assurance, was able to produce even a good debating defence in the House of Commons. Even after Saratoga, when his failure was self-evident, he remained in office, though the King would willingly have been rid of him; persisting beyond Yorktown, he was able to extract from his royal master as the price of an overdue resignation a viscountcy which one of the most stubborn of British monarchs had repeatedly vowed never to confer.

All this, in its intricate and revealing detail, Mr Valentine makes explicable in terms of Lord George's own personality and the attitudes of an oligarchic society and a corrupt political system towards a colonial revolution which was simultaneously feared and despised. The incredible self-confidence in ruin, the untiring persistence in error were in equal degree dominant traits in Lord George's personal make-up and reflections of deep structural flaws in eighteenth century society. The Germain failure-in-success story, as laid bare by Mr Valentine's sharp but fair scalpel, tells one more about why Britain lost the colonies than any study of George III's obstinacy or Lord North's ineptitude. A fascinating biography, this book is also an important key to the understanding of an old but still crucial chapter in Anglo-American history.

THE ECONOMIST SEPTEMBER 15, 1962

Honest Broker

Personal Experience, 1839-1843

By Lord Casey.
Constable. 267 pages. 30s.

THIS slight and pleasant book is easily read, neatly fulfilling its author's modest intention "to fill in a few gaps in the record." "Wild horses" would not now drag from Casey what he "would have done differently" in his three widely dissimilar wartime appointments: Australian Minister in Washington, 1940-42; British Minister of State in Cairo "in the twilight zone between the politicians and the Service Chiefs"; then, Governor of Bengal, 1944-46. So the book is discreet, unobtrusively in a minor key, although its author may scarcely be expected entirely to avoid the tendency of any public figure to imply that because he made a suggestion, what followed resulted from it. It is evident, for example, that he can have had little to do with Horz-Belisha's dismissal, yet, on the other hand, that he was the positive agent in preventing Lloyd George from succeeding Lothian in Washington; or that he had the disagreeable task of relieving General Dobbie in Malta, but merely concurred in Auchinleck's supersession in the Middle East, which Churchill handled in person.

The book, mainly in narrative form, is based on diaries of over 700,000 words, from which there are frequent extracts, some of them worth having. The links are crisply joined, but sometimes in a form so simplified that we may feel that we might be expected to know at least that much already—and that, by the end, we might seem to be left—for the record—with a useful account of the Middle East Supply Centre or of conditions in Bengal at the end of the war. There is, however, more to it than that. As an Australian, if far from typical (he had been at Cambridge with the Chief Minister in Calcutta), "Dick" Casey saw affairs from a contributive angle, understanding but not always sharing the prejudices of "the abstraction called London", able at the same time to get alongside Americans such as Adolf Berle or Harry Hopkins more easily than those Englishmen about whom they had their preconceptions or who could not give their first thoughts to Pacific matters, anyway. Irritated by their arrogant possessiveness over the word "British" or their infuriating habit of talking of "spring" and "autumn" as if all the world shared their extraordinary climate, he could help explain them to Americans and explain Americans to them. Hopkins and Churchill, for example, most helpfully; or Cordell Hull and Halifax, two shy men.

Lord Casey's quiet noticingness, the breadth of his interest in the unexpected and his eagerness to go see for himself were accompanied, it would seem probable, by considerable administrative gifts which may scarcely be revealed autobiographically. Full of sound advice (though Auchin-

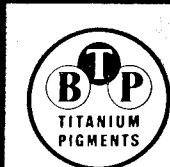


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leek can scarcely have appreciated being told how to use his tanks), knowledgeable without being too knowing by half, he was to prove a natural, by nationality, by training, and by temper, for the task of honest broker in the particular stretch of history which he has described with characteristic competence.

Garibaldi Undefined

The Lion of Caprera

By John Parris.
Arthur Barker. 352 pages. 30s.

MR PARRIS'S publishers are wrong in claiming that this new life of Garibaldi could be definitive. In spite of the new material that the author has used, and his patient diligence in checking facts, "The Lion of Caprera" is merely a popular biography that all too often descends to being pop. A brief verdict on it would indicate that Mr Parris has made available to a wider public some of the conclusions arrived at since the second world war by revisionist students of the Risorgimento, but that he has at the same time failed to assimilate all the material and failed therefore to paint a balanced portrait of his sitter.

It is all very sad, because it is possible to see that Mr Parris might well have succeeded, and has, in places, done so. His researches into Garibaldi's youth, into the "marriage" in South America, into the first encounters with Mazzini and the complicated relations with Cavour have all clearly been conducted with sense and care (though he does not quite prove his allegation that Cavour plotted Garibaldi's murder in 1860). In his exposition of Saint-Simonism and its effect on Garibaldi Mr Parris displays real insight. Furthermore, his heart is in the right place. He is not hypnotised by Garibaldi's legend, and is quite ready to puncture the balloon when necessary; but his sense of the absurdity of some of the hero's antics never leads him to forget that Garibaldi was indeed a hero. His genius for action often proved wiser than Cavour's cunning, and, naïve though he was, he understood the needs of Italy and what the Italians could achieve better, perhaps, than any of his contemporaries.

But Mr Parris strains and finally destroys the reader's tolerance by his extraordinary faults. He cannot resist sexual gossip, and the result is that not only does he devote the greater part of a chapter to the amusing but entirely irrelevant activities of the much-bedded Countess of Castiglione (succubously the mistress of Victor Emmanuel II and Napoleon III); he also prints almost every letter ever written by Garibaldi to the tiresome and insignificant "Speranza" von Searz, one of his mistresses, and devotes more space to this trivial association than to Garibaldi's relationship with Mazzini. Nor is it just a lack of sense of proportion that produces this distortion: Mr Parris has clearly found it easier to use Speranza's memoirs than Mazzini's papers, just as he

found Dumas père a more manageable source of information on the conquest of Naples than solidier authorities. Mr Parris's exaggerated dislike of the Roman church should also be mentioned. Pio Nono was an indifferent pope and a ruler whose unfitness shaded off into wickedness, but it is absurd to call him impertinent for establishing an English hierarchy in 1849; and it was wisdom, not superstition, in Victor Emmanuel to hesitate before taking Rome from the papacy by force. The legacy of suspicion that the 1870 seizure left behind still poisons Italian life.

Why, moreover, did Mr Parris set out to write about Garibaldi without equipping himself to judge the great irregular's military talents? It was, after all, as a commander of men that Garibaldi earned his immortality, and one would like to know how he did it. Lastly it may be observed that, for one who so firmly and often rebukes other historians for slips, Mr Parris is too lavish of small errors. He revives the canard that Napoleon III was not a Bonaparte, although it has been disproved beyond all reasonable doubt. He writes "Venezia" throughout when he means "il Veneto". He has invented an English brewery called Barclays and Perkins. He thinks that Cardinal Wiseman was an ex-Anglican. The proof-reading is execrable throughout the book; and there is only one map—a bad one. Mr Parris's grammar is often faulty.

Secret Practices

The Law of Trade Secrets

By A. Turner.
Sweet and Maxwell. 550 pages. 6 gns.

A goon idea can be worth a mint of money. In industry and commerce today, the value of a simple but original selling gimmick, like the development of a cheap but efficient piece of machinery, can be immense. The growth of the mass market and the increasing dependence on gimmicky titillations for selling hardware or entertainment, and the fast pace of technical progress, seem to ensure a vigorous expansion of the free market in know-how, novel themes and even half-baked ideas that can be refined into an exploitable form. These assets are not priceless; they are indeed usually readily assessed and valued by the interested parties. But the rather ill-defined law of trade secrets and confidential disclosure might leave many parties to these transactions unclear about their rights and the commitments into which they might enter as a result of a deal.

The protection of a valuable trade secret is necessarily imprecise. Some potential sources of difficulty are immediately obvious. What part does an individual's skill and experience play in developing a process? What part of that process is a novelty, to whose exclusive benefits the employer is fully entitled? What use can an employee make of useful information carried away in his memory from his pre-

vious place of employment? A person, for instance, who was employed in digesting technical papers and making reports on them cannot keep copies of those reports. But he can use what he could remember of them.

British and American practice in these elusive matters has been clearly set out in Mr Turner's book. He assembles all the relevant case law into well chosen compartments, which should enable businessmen as well as lawyers and patent agents to use the book as their source of reference without difficulty. The volume is also well-indexed and contains a table of cases. It discusses remedies and suggests a procedure for the disclosure and receipt of information of this type. Though this book is itself an extremely useful pioneering work, a clear exposition of European practice in the handling of trade secrets might now be of even greater interest to businessmen.

Morphemes without Tears

The Use of English

By Randolph Quirk.
Longmans. 341 pages. 12s. 6d.

PROFESSOR QUIRK has written a stimulating book. He is an expert in the modern science of linguistics; but he is kind to the amateur and lets nothing of his hidden art protrude. What appears on the surface is common sense. The book is based on a series of broadcast talks and shows signs of its origins: it is a collection of essays rather than a coherent whole. Clarity of style, different usages for different purposes (the best passage in the book), the use of dictionaries, poetic language (not so good) and many other topics find their place. Each chapter ends with a well-designed set of exercises. Nine-tenths of the book or more is about the written language; but what most distinguishes it from the spate of intelligent books on the subject that are appearing just now is a long, clear and interesting supplement by Mr A. C. Gimson on the phonetics of contemporary English. This is much to be recommended to all of us Jourdain who do not know what phonemes issue from our mouths. A further short supplement by Mr J. Warburg attacks once again the deathless fallacy that there are absolute standards of language, as distinct from generally accepted usage.

Only at one point do the authors depart from their calm and objective acceptance of the language as it really is spoken. They get hot under the collar at the concept of an upper class idiom. Education, they say, is now widespread—and so it is, partly thanks to Miss Mitford. But when Professor Quirk says that standard English means something different to the educated Scot, and Mr Gimson says that what he prudishly calls "Received Pronunciation" is no longer the exclusive property of any particular social stratum, they are straining the facts to fit their social prejudices. What they say may be true a few decades hence;

but everyone knows that, inside the class of educated men, accent is still a most effective shibboleth, used as such day by day, with no permissible regional variations inside these islands. It has less and less practical significance; more and more educated men speak with what used to be called a vulgar accent and never suffer from it. But the continued existence of this particular standard is a social and linguistic fact of the greatest interest, and should be recorded and analysed, not glossed over or wished away.

Hindu of the West

Rabindranath Tagore

By Krishna Kripalani.

Oxford University Press. 417 pages. 35s.

EVERYBODY knows that Tagore received the Nobel Prize for literature, the first Asian to be thus honoured. But few can have read the whole works of the poet-author-dramatist since only a small percentage of his gargantuan output has been translated; and this has, from all accounts, lost much of its flavour in the process. Mr Kripalani's biography of his grandfather-in-law is a good substitute for reading him. It provides a complete synopsis of Tagore's innumerable works, and shows us Tagore the universal man, as prolific with his pen, his brush and his ideas as he was with his songs. It also places the poet in the background of his own society, at the crossroads of Hinduism and westernisation, a crossroads jammed with contradictions. Tagore campaigned against child marriage and untouchability; but he himself was married off when he was twenty-three to a girl of ten who was poor, ugly and uneducated because she belonged to the same untouchable brahmin sub-caste; and in his turn he married his own daughter off when she was only eleven. In his own educational institution he enforced segregation on untouchable students, to Gandhi's dismay, on the plea that social reform must not anticipate social awakening.

This is the more puzzling in that in many ways Tagore was ahead of the Mahatma. A moderniser within his own tradition he used western experience to create a Hindu rural university; he founded the community project approach to rural development and insisted that culture cannot be acquired but must spring from the soil; and to prove this he created Santiniketan. He entered into open controversy with Gandhi over spinning and self-sufficient villages because he was a man of progress. Tagore, like most forerunners, was doomed to remain all his life an outsider at loggerheads with everybody. His own people did not approve of the fairmindedness with which he was prepared to give the West its due, just as the West was angry at the manner in which he supported Indian independence and allowed himself to be used by totalitarian regimes in Italy, Germany and Russia.

Mr Kripalani tells the truth and makes

BOOKS

no excuses: his hero is naive, unworldly, vain—"Praise shames me for I secretly beg for it"—profoundly humble at the same time and always honest with himself. Tagore's childhood was surrounded by a jungle of geniuses; everybody in his large family was so talented that his own genius took a long time to be noticed. He was deeply in love with his brother's wife and she committed suicide when he was married off. Mr Kripalani's description of this period of Tagore's life is the best part of the book, for it evokes an age gone by and makes Bengal come to life, with all its eccentricities and its cultural wealth, more vividly than anything this reviewer has seen. In addition, in his synopsis of Tagore's work one can sense the great Hindu poet-moralist, in the best Mahabharata and Bhagavad Gita tradition. Tagore was a man whose genius like a banyan tree shot out master branches in every direction, but like a banyan tree he always remained firmly grounded in the soil of his native land. This biography should be read by those who want to understand the mind of India in transition.

The Forerunner

Marshal of France: *The Life and Times of Maurice de Saxe.*

By John Manchip White.

Hamish Hamilton. 314 pages. 35s.

JOHN MANCHIP WHITE has left the exotic corruption of his Conradesque story "The Mercenaries" for the cynical sophistication of the eighteenth century in which a mercenary became a marshal of France. This biography should encourage other novelists to cultivate those colourful characters whom our donnish historians seem afraid to meet. But they will need equally good equipment: unflagging interest in research, the selective skill of a painter, the subtlety of a face-to-face interviewer, a style that illuminates and warms; and a publisher who provides first-class paper, print, maps, tables and illustrations.

Maurice, born in 1696, was one of the three hundred and fifty-five illegitimate children of the Elector Augustus of Saxony who was deservedly nicknamed "the strong." His mother was Aurora Countess von Konigsmarck; his maternal great-grandfather "Old Konigsmarck," a Brandenburg who commanded an army for Gustavus Adolphus; one of his uncles loved the wife and was murdered by the mistress of our George I; a genealogy which promised, as Mr White felicitously remarks, unusual potentialities "in bed and battle."

Battle was, however, the natural medium for Maurice's genius. His amorous propensities earned notoriety; but his creative brilliance in the theory and practice of war has given him a place among the great captains. He started as a cadet-musketeer in the Saxon contingent serving under Marlborough at Malplaquet. From Marl-

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borough's school he passed to that of Eugene, under whom he served as a volunteer against the Turks at Belgrade. The reputation he gained for courage and initiative, added to his personal charm and Aurora's persistent importunity, induced Augustus to include Maurice among the six electoral bastards to whom titles and properties were awarded, and to conscript an heiress for his wife. But by 1720 the young Count de Saxe, having run through her fortune and got rid of her by an easily arranged Lutheran divorce, left Dresden for Paris and service in the army of Louis XV.

After a short spell in a minor appointment he badgered the indulgent Augustus into buying him a regiment—an expensive military investment, but soon to become one of the most efficient in France. His training inspired many of the theories he tested later on a larger scale. Meanwhile his life had its lighter side: he enjoyed a prolonged affaire with the actress Adrienne Lecouvreur, and a briefer, if more exacting, one with Peter the Great's eccentric niece, Anna, during a serio-comic attempt to win a dukedom in Courland. But by 1732 he was ready; he might have said, like Napoleon seventy years later, "if I always seem to be prepared it is because I have meditated long."

His meditations had generated his "Reveries" perhaps the most influential military textbook ever written. But its effect was postponed till after his death. Publication in Saxe's lifetime would have been suicidal. Throughout his professional life he had to fight two enemies—the commanders on the other side, and the jealousy and obstinacy of court favourites or obstructive veterans on his own. His reputation rose rapidly in the Wars of the Polish and Austrian Successions; but not till two years after Fontenoy was he, as Marshal-General, able to initiate any reforms. His victory at Fontenoy is consequently less impressive than the relentless determination and skill of the feints and thrusts by which he confused, alarmed, unbalanced, and finally separated and defeated the Anglo-Austrian armies between 1745 and 1748.

He was only fifty-four when he died. But considering that dropsy had compelled him to ride in a wicker carriage at Fontenoy, that he shocked his opponents (and his more conservative colleagues) by campaigning in the following winters, and that his life in retirement at Chambord, with his own court and private army, was a fantastic mixture of drill and debauchery, it is surprising that he lasted so long. Three years later, in 1753, his "Reveries" were published. They are used by Mr White as an epilogue and an obituary. In a sense they were a legacy more important than his hero's life—daydreams which became the doctrines preached (and to some extent practised) by the men who taught the young Bonaparte. It is an historical fact, rather than a picturesque metaphor, that Maurice de Saxe was Napoleon's forerunner on the road to glory.

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Biblical Archaeology

The Crescent and the Bull: A Survey of Archaeology in the Near East

By Erich Zehren. (Translated by James Clough. Sidgwick and Jackson. 375 pages. 36s.)

READERS with a taste for archaeology now have plenty of books to choose from. For light reading, they can relax in company with Leonard Cottrell; if they prefer to keep the civilisations of the ancient world in watertight compartments, Professor Sabatino Moscati will oblige; those who would rather visit the dig and be present at the unearthing can do so with Leonard Woolley or Seton Lloyd; any who relish decipherment can work stage by stage on cuneiform or Linear B. Given this wealth of approaches, there is now room only for good books on the subject, and Herr Zehren's (translated from the German) is not well enough arranged to rank in that class.

His title in the original German—more illuminating than that in English—was "The Mounds of the Bible", and he aimed only at covering biblical archaeology. But, to simplify this huge subject for the common reader, some form of chronology was required. Herr Zehren has preferred a geographical arrangement, and, as he plods from the Bosphorus to Sinai and beyond, skips back and forth in the history both of the ancient world and of the science of archaeology in a way that supplies too few signposts to the centuries. As he cannot forbear to leave out a single mound (he throws in Troy and the Monastery of St Catherine on Sinai as he passes by) he is apt to overdose with information. The line drawings are adequate at the price of the books, but the whole would have been greatly improved by a table of comparative chronology.

OTHER BOOKS

PLANNING. Papers read at the Business Economists' Conference, April, 1962. Eyre & Spottiswoode. 43 pages. 6s.

Two of the four papers in this booklet on economic planning are by active planners—the heads of the planning organisations in France and the Netherlands. The other two represent the academic thinking of Professors Frank Paish and Tom Wilson.

HUNGARY: *A Short History*. By C. A. Macartney. Edinburgh University Press. 271 pages. 21s.

This is the sort of "short history" that one would like to see more of. Dr Macartney, the foremost authority writing in English on the history of Hungary, succeeds in describing both the wood and the trees of his subject. His book spans the whole range of Hungarian history from the 9th century AD to 1956. He packs it with information on both Hungary's political and economic development, while standing back from time to time to describe the basic issues and problems, and to give his own assessment of men and policies. The book is attractively produced with pictures and maps; all that it lacks is a short bibliography.

LETTERS

Liberals and Industry

SIR—Your description of the Liberal Industrial Committee Report as "undesirable" can be accepted as unexceptionable though highly subjective comment, but I would caution you against the use of the adjective "amateurish." The group included a director of an international company, a professor of industrial relations, an economist/engineering works manager, a shop steward, and a trade union official. You thoroughly misunderstand this subject.

1. It is quite clear that under our proposals the government of the day would have the power to appoint a "Dr Beeching" to the board of a nationalised industry (see page 42) in an emergency, but it would in effect have to justify the appointment to the House of Commons beforehand. We should therefore be spared the undignified picture of a government leaving one of its paid servants to fight its political battles with his own subordinates.

2. The introduction of new capital, or takeovers, need not be affected, and employees would have no control over the disposition of shares by those who own them. However, employees would be in a position to ensure that their interests were not ignored when major changes in the ownership of the share capital took place.

3. The proposals which we make have nothing to do with the selection of managers, which will, as now, be the duty of the board. The revised annual meeting would be very much more competent than is the present one (if it takes the trouble) to approve or otherwise the proposed board appointments, and, odd though it may seem to you, merit receives recognition even at shop floor level. It might be a little more difficult, say, to replace the late Sir Allen Clark and his colleagues by Lord Kilmaur, Mr Watkinson, and Lord Harding rather than by someone who had a clue about the business, but what do you suppose this sort of appointment does to the promotion prospects which you cherish? Outsiders should need to be justified.

4. Efficiency will be promoted when in a competitive economy directors know that they are vulnerable at the end of the year if profits and earnings do not come up to expectations. It is the self-perpetuating old boy oligarchies, immune from formal attack by unorganised shareholders and employees, which breed inefficiency.—Yours faithfully,

PETER MCGREGOR

Chairman, Liberal Party Committee on London, NW9 Industrial Affairs

Crisis of Irresponsibility

SIR—Your sprightly review, reflecting the emphasis expressed in Mr Bennett's ex-

cellent though controversial book on the financial crisis of 1931, levels the charge of irresponsibility at Germany, the United States and Britain in turn but excuses France from the general condemnation. Why? As we are still living with the distant consequences of the Treaty of Versailles and the economic slump of the 1930s the question may not simply be of academic significance. The key passage expressing Mr Bennett's interpretation (which your reviewer seems to share) is as follows:

France failed to offer Germany any voluntary concession and insisted on her reparations privileges. She tried to use her financial strength to coerce other countries, and displayed a monomania of her own, an almost blind veneration for the Versailles *status quo*. France and Germany seemed to be haunted, in different ways, by the contrast between their respective positions as laid down in the treaties, and their respective economic and military potentials. It appeared that the treaties represented an unrealistic effort to establish an artificial French superiority.

But the peace settlement had been the result of a real victory, even though a close one. It was a victory of the Allies, not France alone, and reflected the preponderance of Allied over Austro-German power. Ultimately the peace as laid down could only be maintained if all the Allies supported it. But some of the Allies, principally Britain and the United States, did not do this, and it was largely their irresponsibility which left France in a state of nervous anxiety and exposed Germany to delusions of potential grandeur.

As the first paragraph implicitly recognises, France was quite as prepared to use Germany's financial weakness to block any move towards revision of the Versailles treaty as Germany was to exploit the financial crisis to push the cause of revision. It was the French who were most insistent on a harsh treaty at Versailles and who dug in their heels about reparations. With her manpower bled white in the Great War, her fear of the rebirth of a strong Germany is understandable. But, sixty years later, there was still something of the spirit of revenge for 1871 in the French attitude. Can the other powers really be described as irresponsible in seeing, as the French would not, that strict adherence to the treaty of Versailles was doing more harm than good? Surely, the French attitude held up the search for a broader solution of the financial crisis through a revision of reparations (or through a customs union) and played at least some part in prolonging and deepening that crisis. France may have deserved "help and understanding" but if she had displayed a more accommodating spirit she might have got them—and might have perhaps better to avoid the charge of

irresponsibility, for like guilt it can be a sword with two edges; but once it is made, I for one cannot see on the evidence presented in Mr Bennett's book why France should be judged blameless.—Yours faithfully,
G. CHARLES
Shoreham, Kent

Nurses' Pay

SIR—Your comment criticising the industrial court's award of an interim 7½ per cent increase for nurses, plus a directive to the Whitley Council to negotiate bigger increases by March 31st, shows little knowledge of the background to the nurses' claim. That claim was for a far-reaching reconstruction of the present outdated and hopelessly inadequate grading structure, combined with a review of differentials between those exercising the highest levels of skill and responsibility and their juniors. It called for increases of 33 per cent overall—and of as much as 60 per cent for some grades.

The claim was supported by an impressive weight of evidence—of inadequate recruitment and widespread wastage, leading to the present shortage of 26,000 nurses (the minister's estimate); of a drastic fall in the proportion of qualified to unqualified staff; of the heavier demands made on nurses by the recent revolutions in treatment of mental, surgical, and medical illness; of the rising birthrate threatening imminent breakdown of both the hospital and domiciliary midwifery services; and of the certainty that the nursing force had no hope, in present circumstances, of manning the additional beds required under the hospital rebuilding plans. To this evidence, the ministry's spokesman made no reply. He confined himself to unsupported generalisations that salaries and staffing were adequate, that the shortages were "local," and that Government policy limited the minister to a ceiling of 2½ per cent.

The court did not "bow to popular emotional impulses," since none were displayed. It heard the hard facts—and, having heard them, it agreed that "the level of salaries and training allowances is in general too low and . . . should without delay be increased." In doing that, it was doing what the Whitley Council itself should have done months and years ago—and would have done had the dead hand of the Ministry of Health not prevented it, continuously since 1950.

Nurses have been denied economic justice for many years—and the hospital service (and hospital patients) have suffered in consequence. So far from being "incoherent" and a sign that the court is "unable to do its job" therefore, the award marks at long last a recognition that, sometimes, facts can triumph over ministerial blindness and negation.—Yours faithfully,
W. C. ANDERSON

General Secretary, National and Local Government Officers Association
London, NW1

Twin Towns

SIR—In the article "Perils of Twinning," which appeared in your issue of April 7th, 1962, your correspondent states that: "Soon after Mr Bortman's visit (1955) certain of M. Bressand's Franco-American *jumelages* were lured away from *Le Monde Bilingue*."

This creates the impression that York, Pennsylvania (the only American city named in the article) has been "lured away." Permit me, therefore, to make our position clear:

(a) Despite M. Bressand's part in the initial stages of our twinning with Arles, and our correspondence with him, we never entered into an affiliation with *Le Monde Bilingue* or its United Towns Organisation. Thus we could have not been enticed to leave *Le Monde Bilingue* since we never joined this organisation.

(b) We decided to stop corresponding with M. Bressand even before we met Mr Bortman, members of the Civic Committee, or any one connected with the People-To-People Program. (The date of our last letter to M. Bressand was March 3rd, 1958—which was not "soon after Mr Bortman's visit in 1955.")

(c) Never did Mr Bortman (since we met him) or any one of the Civic Committee or of any other committee of the People-To-People Program discuss or even mention to me or any other member of the York-Arles Twinning Committee either M. Bressand or his *Le Monde Bilingue* or its United Towns Organisation.

(d) The reason for our decision to stop corresponding with M. Bressand was the disillusionment we began to face regarding the idealism of *Le Monde Bilingue*. Previously we believed it to exist and therefore eulogised it in our "Story of the Twinning of York, Pennsylvania and Arles, Bouches-du-Rhône, France."

M. Bressand's letter to us, which finally "broke the camel's back" revealed a bitterness against American foundations, who refused to support his organisation financially, and an obnoxious attitude of prejudice and suspicion we could no more tolerate.—Yours faithfully,
MOSES N. FRIEDMAN

York-Arles Twinning Committee, Inc.
York, Pennsylvania

Supersonics

SIR—Your article on the supersonic airliner did not make the point clear that the airlines' reluctance to buy propeller turbine aircraft was to a large extent a question of their operating economy. It was originally intended that these aircraft would have a substantial advantage in operating costs over the jets and would open up new markets in air travel. In the case of the longer haul aircraft, this margin was largely eroded between the time of the go-ahead decision and their entry into service, because

the cost of aircraft manufacture and of flight crews grew while the price of fuel fell. This tended to favour the faster jet aircraft which spreads its capital and crew costs over a greater product in seat miles performed than its slower counterpart, though burning more fuel. On shorter routes, on which the cost advantage of the propeller turbine aircraft is greater, operators are often prevented by international agreement from charging lower fares than those for jet aircraft.

Surely the lesson of this is that one can only sell a slower aircraft against a faster one, available concurrently, if the advantage in cost per seat mile is substantial and if the fare differential made possible can be used to attract profitable loads.

I do not consider that your article's suggestion that the airlines may not buy a Mach 2 aircraft in the early seventies because of the prospect of a Mach 3 aircraft in the late seventies really follows from the history of propeller turbine aircraft, or that, whatever the arguments for or against the supersonic airliner may be, one can reach useful conclusions regarding the relative merits of steel or light alloy construction in this way.—Yours faithfully,
Godalming, Surrey P. J. DIRMOLD

Vertical Take-Off

SIR—"Crude little beast" (*The Economist*, September 1st, page 827). Dear, dear, dear! Only years ahead of the rest of the world.—Yours faithfully,
EDWARD BOWYER
Society of British Aircraft Constructors
London, SW1

"Australasia"

SIR—In the first leader of your issue of September 1st when discussing the Common Market problem you refer to "the Canadians and Australasians."

New Zealanders, while conceding that the term "Australasia" may have some vague geographical connotation, are unanimously opposed to its use in a political context. Their view is reinforced by the recent conclusion reached at Brussels that New Zealand's position requires special consideration—a conclusion with which we hope *The Economist* agrees.—Yours faithfully,
A. T. CAMPBELL

New Zealand High Commission
London, WC2

[No offence intended. Mr Campbell can call us in this country Europeans if he likes.]

Appointments, Business and
Personal notices and other
Classified Advertisements
pages 1056 and 1063

HOME REPORT

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



As She is Spoke

FROM A CORRESPONDENT

AUGUST and the tourist season end together: but a steady, though diminished trickle continues of Britain's newest type of foreign visitor. According to recent sample surveys undertaken by the British Travel and Holidays Association, about 200,000 visitors from the common market countries and Scandinavia claimed to come to England last year to brush up their business-letters, if not their Shakespeare. If one adds to these another 50,000 foreign workers and 15,000 *au pair* girls for language courses, the total market is well over a quarter of a million. Teaching English to foreigners is an expanding business.

Some people have already recognised this. In the London "classified" directory for 1951, 11 institutions teaching English and other languages were listed. Today, apart from those of the LCC, there are at least 52 other schools in London offering instruction in English. In the country as a whole there are at least 100 private schools of English, about a quarter of which are "recognised" by the Ministry of Education. Almost all these schools are concentrated in London and the south-east, the old university cities and the south coast resort towns being especially popular.

Much of this increase results from the general boom in the travel trade. Since 1951 the number of visitors from France has doubled, and those from Germany have increased by almost 500 per cent. Of these French and German tourists, almost 40 per cent claim to come here to learn English. The increase in the long-term students, however, is more probably explained by the growing popularity of the *au pair* idea (14,912 last year), the increasing employment of Continental workers (1951: 32,632: 1961: 51,775), and the growing wish of prosperous Continental parents to "finish" their children's education in a pleasant, and useful, manner. Many schools cater for these students by offering sessional courses of about three months. Some schools, in addition to this, offer short summer "vacation" courses, of from two to four weeks, with three or four hours daily tuition and visits to "places of interest." Accommodation is frequently arranged with nearby families, and the inclusive cost varies from about £10 to £14 a week.

In London, where most of the visitors, *au pair* girls and many foreign workers stay, the schools are mainly in four areas; 17 within a half-mile radius of Oxford Circus, another 15 in the Bayswater-Kensington area. A further half-dozen are in Hamp-

stead. The fourth group, less expectedly, are in south-east London, near Herne Hill and Dulwich, a factor largely explained by the prevalence of many-roomed Victorian houses with lower rates and a local population willing to act as hosts whilst at the same time supplementing the family income. Two student visitors might bring in £40 a month.

School premises run the whole gamut of size, suitability, cleanliness and decoration, from the specially-built, 27-classroom block, accepting over 5,000 students a year, to the drab two rooms over a dingy shop, with perhaps 12 students at a time. The average school seems to have from three to eight rooms, frequently occupying the top two or three storeys over a shop or office premises, and might have between 12 and 60 students. During the summer these numbers may expand considerably; one seaside school was so crowded last month it had to work three 4-hour shifts a day. Another in Kensington overflowed into a neighbouring basement.

FEES on long-term courses range from about 8 to 10 guineas a month for 15 hours weekly tuition in a class of some 10 to 15 students. In the summer this number might jump to 25. The schools probably get teachers of the quality they can pay for; throughout June and July one school advertised in a national weekly for "Tutors in English for Continental students. 15 hours weekly for £5." The prospectus of this school, the inclusive board and tuition fees of which are almost £11 a week, refers to teaching by "fully qualified English tutors." At another institution where, according to the brochure, "every member of the staff is a qualified specialist in the teaching of English to foreign students," one prospective teacher inquired about teaching vacancies. With no inquiry into his name, qualifications or experience, he was asked to come the same evening to lead a conversation group. The rate was 6s. an hour. "After all," it was explained, "you only have to talk with them." Although some rates are as low as 3s. 6d. per hour, the hourly average for the larger schools seems to be about 10s. to 12s. 6d. The LCC rate for a two-hour session is £2 8s. 6d.

Teachers employed at this price vary. Some are grateful research graduates who, on the whole, probably give good value for money. Others might be returned expatriates with a smattering of languages but no teaching experience. The foreign student, in a strange country and unsure of his case, rarely complains outside his own immediate circle, especially if he is only here for a fortnight.

Caveat emptor might be good advice for the prospective student. But how far can he rely on the prospectus? That of one school (recently closed), referred to "our fully qualified staff . . . specialists in the teaching of English to foreign students"; the school was owned, taught and administered by one unqualified person. "Beginners must not be worried," states another prospectus, "if they seem to understand very little in the first few lessons. Even if they seem to understand nothing, they are still learning unconsciously." Another school in a somewhat less than fashionable suburb, accommodating over 200 students with neighbouring landladies, refers to families "chosen for their purity of language and excellent manners."

Whatever happens about the common market, more and more people are going to want to learn English. In particular, American investment in Europe pushes up the demand. Already, many Continental students are sent here at their firm's expense. Some countries give tax concessions for course expenses. In February, 1963, new British Travel publicity is aiming to attract visitors to specific kinds of "Holidays in Britain" and one of these will be the Study Holiday with the accent on learning English. Printed in seven languages, this publicity is aimed at 250,000 readers, and it will probably reach double that number. However many may come, it is important, from all points of view, that they return better satisfied with the tuition they receive than do many students in private schools of English.

Party Militants?

FROM A CORRESPONDENT

ACTIVE members of British political parties are treated with scant respect in most writing about British politics; the general tendency seems to be to suggest that such products of radical ideology should not exist. Party leaders take note of these people rather as they take note of certain groups of MPs—in order to avoid them. Academic students of politics have devoted much time and energy to noting the existence of activists—only to call for their relegation to the most menial of roles. As a result, people who might be thought to be practising a duty of citizenship by upholding party standards in their community often appear in the press as atypical if not unbalanced, psychologically as well as politically. Now at least one academic researcher has sprung up to stigmatise this practice as quite unfair.

The definitive study of local party organisations will probably not be done until the Ford Foundation decides that Britain, like the Afro-Asian nations, is at least potentially a developing country. But while waiting for American largesse and American research techniques to invade this isle, a recent academic article* by Mr Richard Rose of Manchester University has argued that there were broadly four contrasting kinds of attitudes which local parties showed in the resolutions that they submitted for their annual conferences between 1955 and 1960. This article will apply Mr Rose's four classifications to the 441 resolutions that were offered in the agenda for the Labour party conference at Brighton next month.

(1) The first group comprises the constituency parties that are **somnolent**, rather than militant. This year more than one-third of local Labour parties are not offering any advice to party leaders. This is an average showing for Labour, although well below the standards of Conservative conferences, where annually upwards of half the parties do not presume to rise above their station and give advice to Her Majesty's ministers.

(2) The largest single heading in the classification of resolutions for Brighton is—perhaps surprisingly—**non-partisan**. Fifty-five per cent of the resolutions for Brighton express views which appear to be derived from the concerns of pressure groups, or from the sentiments of a cross-section of society, rather than from long meditation upon the eternal principles of socialism; they might appear as much on a Conservative or Liberal agenda as on a Labour one.

This tendency is particularly marked among those concerned with education, local government and pensions, where the cry is for "more money" rather than for "more socialism." For instance, of 26 resolutions dealing with education, none mentions com-

*The Political Ideas of English Party Activists. *American Political Science Review*, June, 1962.

prehensive schools or the abolition of the public schools. Instead, Scottish parties press for more education for Scotland, South Kensington seeks more university places and Aylesbury asks for better care for the physically and mentally handicapped. Resolutions about local government are primarily concerned with the burden of rates. From places as different as Salisbury and Bradford South come pleas for the Government (not Labour's national executive) to do something to help finance local authorities. About 10 per cent of the resolutions are miscellaneous. Idiosyncrasy, rather than ideology, presumably accounts for the desire of the militants in the Guildford Labour Party for a great Labour crusade to prevent young people from driving motor-cycles of more than 125 cc until they are 18.

MANY of this year's Brighton resolutions against entry into the common market can be called non-partisan, in Mr Rose's sense of the word. Slightly less than half of the 51 resolutions oppose the common market on partisan grounds, as a threat to building socialism. A few propound a left-wing alternative. But more than half make no open reference to Labour's economic doctrines, and some resolutions base their objections on a concern for the Com-

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monwealth. Partisan feelings may explain why the bulk of resolutions are against the common market; after all, a Conservative government has proposed it. But this does not explain why so many resolutions opposing the common market do so in arguments and phrases identical with those of a number of Conservatives.

(3) About one quarter of the resolutions from Labour constituency parties this year can justly be called **partisan** but not extremist. That is to say, they are drawn in terms sufficiently broad to appeal to all Labour Party members and few Conservatives. This is particularly noticeable in fields such as housing and economic affairs. Sometimes, socialism and self-interest are nicely intertwined, as in the resolutions from constituency parties in depressed areas, asking that industry be directed to their doors by the next Labour government. The efforts of the Campaign for Democratic Socialism in constituency parties may account for the production of a number of resolutions on multilateral disarmament so skilfully and selectively drafted as to meet with the approval, even if only grudging, of all wings of the movement.

(4) Finally, the voice of **left-wing** extremists is heard in only 22 per cent of the resolutions for Brighton. According to Mr Rose, the hard core of consistently extremist parties, numbering about 100, are found in all kinds of constituencies; he denies that they are all bunched in hopeless Labour seats like Hampstead and Bath. For instance, there are 15 left-wing resolutions this year complaining that a purge men-

Jersey Fills the Gap

THE States of Jersey, without a murmur of dissent, in April abolished one of the few statutes remaining to it from the reorganisation of the island's government in 1771 (*The Economist*, May 5th): the limit on interest rates, so long set at 5 per cent (because that was where it was at the end of the Royal Court's authority) was erased from the book in the apprehensive hush which followed Mr Selwyn Lloyd's decision to tax English money tucked away in real property abroad to evade death duties. Of such money, owing to a quirk of nomenclature in its laws, Jersey had had a good deal of the benefit, in spite of the 5 per cent rule. It did not expect to get any more on those terms, and wisely, therefore, decided to try to fill the vacuum in the normal way.

The royal assent to the abolition is expected shortly; and when it is given, the first building society the island has known will begin to fight the prejudices natural among people who have, hitherto, been able to lay hands on as much money as they liked at rates which were seldom higher than half what a

sensible lender would consider economic. Nor is that the only disadvantage: the Jersey Savings and Loan Corporation Limited will have an initial fund of £150,000, little more than a hundredth of the money which was freely on offer through agents before April 5th. The corporation will charge 6½ per cent on loans, pay 5 per cent on investments, and pay no dividend for the first five years at least—none of which can look very attractive to island borrowers used to accepting large sums at 2 or 3 per cent and reinvesting them immediately at 6 or 9 per cent on the mainland.

On the other hand, there is certainly a market for even relatively expensive money in Jersey among people whose genuine desire to borrow in order to build houses for themselves, and to settle their debts over periods of years without the continuous risk of a six-month notice of foreclosure, was previously frustrated in the feverish conditions of the island's private finances. The new venture has been backed by one of the Big Five banks and by a solid insurance business.

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tality is beginning to show itself in Transport House: of these, nine come from parties with Conservative MPs, and six from those with Labour MPs, about the national proportion.

It is in foreign affairs that left-wing views seem disproportionately concentrated in middle-class areas this year. Of 32 CND-type resolutions from Labour parties, 24 come from those with Conservative MPs. Over a six-year period, Labour parties in middle class areas which Labour will never win (the dispensable tonsils, rather than the backbone of the movement) are slightly more extremist than those in safe working-class seats. The difference is statistically significant, but not politically significant; over a period of 12 years it represents the difference between a local party filing four extremist resolutions rather than three.

Conquest to Hallmarks

FROM A CORRESPONDENT



Birmingham



Edinburgh



London



Glasgow



Sheffield



Chester

ONE of Britain's most ancient industries received the gentlest possible push towards the twentieth century last month, when the Chester assay office closed down on August 24th. This has so far been the only tangible consequence of the radical report of a departmental committee which in March 1959 proposed a reform of the system for hallmarking—and thus guaranteeing the quality—of gold and silver articles. From the fourteenth and fifteenth centuries the right and duty of certifying articles of precious metal has been entrusted to the guilds of goldsmiths in large cities.

To this day there survive five completely autonomous assay offices, at Birmingham, London, Sheffield, Edinburgh and Glasgow. The Birmingham Assay Office Act, 1824, placed the control of that office, now the largest in Britain, in the hands of a board of 36 guardians. These must live or own property in Birmingham or within 30 miles of it. Not more than nine or fewer than six of them can be goldsmiths or silversmiths. The guardians are appointed for life and choose their own successors. At Sheffield, the guardians number 30 and of these not more than 10 or fewer than six may be silversmiths. They must live or own property in Sheffield or within 20 miles. They are elected for a period of five years and may be re-elected for further periods. The London assay office is controlled by the Goldsmiths Company of London; more than a quarter of its court of assistants is connected with this trade. The Edinburgh assay office is maintained by the Incorporation of Goldsmiths of the City of Edinburgh, which is known to include trade members although its complete membership is not made public. The Glasgow assay office was established by an Act of 1819 and has a board of about 30, all of them gold or silversmiths. These must

The resolutions for Brighton suggest that active workers in local Labour parties cannot be glibly type-cast. Some may join because they wish to spread the gospel of socialism, but others may join the party because they are joiners, or because they like the Christmas party, or perhaps because they hope for a headship in a local school. The bulk appear to acquire many opinions outside the Labour party, from pressure group connections, as in the case of the trawlermen of Grimsby, or from sentiments of goodwill common to Englishmen of all parties and none. By containing a section of extremists, as well as partisans and those with few partisan feelings, the local Labour parties, in conjunction with their Conservative counterparts, do not deny British public opinion; they reflect it.

reside in Glasgow or "within forty miles to the west and south thereof."

Each of these five hallmarking authorities has statutes peculiar to itself and restricted to its own district. Some general hallmarking statutes apply to the whole of Britain, while others apply to England only or to Scotland only. It is no wonder that this statutory hotch-potch caused Lord Justice Denning (in *Westwood v. Camm*, 1952) to remark: "I would observe that in 1856 and 1879 select committees said that the law as to hallmarking was uncertain owing to the number of statutes in which it was found to be: and they expressed the opinion that the consolidation and amendment of the law should be carried out without further delay. Now 73 years later, in 1952, I may, perhaps, be permitted to express the same opinion."

A Board of Trade investigation in 1887 reported in the following expressive terms: "In certain Offices the results are not systematically controlled by 'check assays'; the furnaces closely resemble those described and figured by the early metallurgical writer Biringuccio in 1540, and the balances are hardly more delicate than those of which illustrations were given by Lazarus Ercker in 1580, and by the author of *A Touchstone for Gold and Silver Wares* in 1675."

Nowadays general standards of assaying are on a higher level, but with each assay office under independent control, with differing financial resources, without uniform rates of pay or conditions of service or standardised training, it cannot be expected that the efficiency of all the offices should be the same. Another relic of the past is that although the manufacture of gold and silver articles in Britain is virtually confined to England, yet Scotland has two assay offices to handle perhaps 2 per cent of the

total British output. As with some other Scottish industries, any suggestion that economy and efficiency demand the closure of even one of the Scottish offices rouses an intimidating sound of clashing claymores.

THE hallmarking system of the future should no longer be fixed immovably to certain towns. The central authority, whether it be a statutory corporation or a department of the Board of Trade, should have power to open an assay office where one is needed and to close it when the need has passed. Even mobile assay offices in vans should be considered. Recently such a one would have proved its worth at Coventry when it was discovered that a 5 cwt silver cross in the new cathedral had not been assayed or hallmarked. Mobility could even provide a nice little export trade: the Swiss have asked Britain to open an assay office at Berne, while the United States possesses no hallmarking system and a number of British assay offices established there would meet a marked American liking for British hallmarks.

In modernising the administration, it must not be overlooked that the hallmark itself is in need of modernisation. At present a hallmark consists of no less than four separate marks. There is the mark of the maker; the mark of the assay office; a date-letter altered each year; and the standard mark which indicates the quality of the gold or silver. Of all these, the only essential one is the standard mark which certifies the quality of the precious metal. The others are confusing and irrelevant: when stamped on to small or intricately-worked articles they can easily cause damage. The time-honoured marks of the old corporate bodies will survive as long as the beautiful objects they adorn. But it is really time for this tradition to pass into history.

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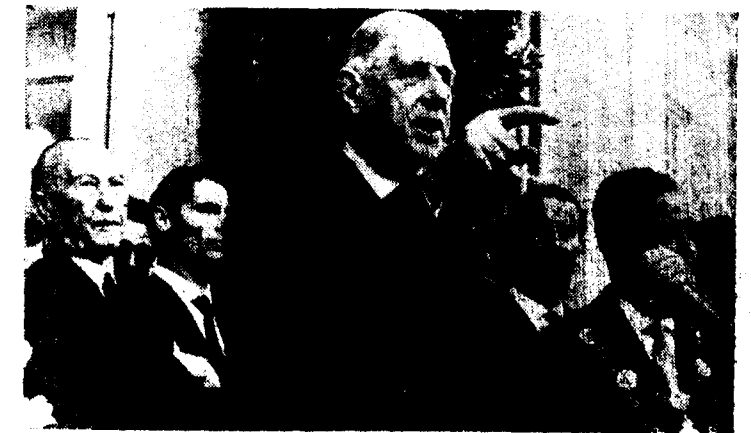
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THE WORLD OVERSEAS

After General de Gaulle's Triumph

FROM OUR BONN CORRESPONDENT



AFTER apotheosis, anticlimax. President de Gaulle is back in France and Dr Adenauer has set off on a three weeks' holiday in Italy; lesser mortals are left to hold the ethereal baby the great men have left behind, and to quieten the neighbours. Still, it would be churlish and crass to belittle what has been achieved. The French President made a brilliant personal appearance—the product in part of the authority of his own prestige and style, and in part of the German people's long abstinence from pageantry and hero-worship. General de Gaulle's success was the reward, too, of attention to detail. Without a trace of condescension, the president adapted himself imaginatively to his varying audiences on the Rhine, the Ruhr, the Elbe, and in the south. Having gone to the trouble to brush up for the occasion the smattering of German he learned while he was a prisoner at Ingolstadt in the first world war, he was able to talk intelligibly to the crowds at each stage of his journey. He told them they were great. And of course they loved it. No American, British or Soviet leader who has visited Germany since the war has wooed the German public so handsomely.

This fascinating performance has set much of the German political world searching the president's every word and gesture for hidden secrets. The publicity-mongers of the various political parties, who have to make do with leaders of lesser stature, are brooding wistfully over the general's conquest in the hope at least of picking up a useful wrinkle or two. It has been spotted that the only member of the cabinet, other than the chancellor, with whom President de Gaulle talked when he arrived at Bonn airport was Herr Krone, the former parliamentary leader of the Christian Democrats and now minister without portfolio. The reason for Herr Krone's being singled out in this way, it is being put about, is that he is the man whom the chancellor would like to see step into his shoes in the autumn of next year, and that President de Gaulle knows it and approves.

IT has been noted further that the president twice took aside Herr Brandt, the governing burgomaster of Berlin, presumably to help keep him in good spirits. The encounter does not seem to have made the burgomaster altogether happy. Forty-eight hours later, in a weekend speech in aid of the Social Democrats' bid for power in the Schleswig-Holstein Landtag elections (polling is on September 23rd), Herr Brandt appealed to France not to forget that there were seventeen million inarticulate Germans east of the Elbe. He deprecated any fostering of a "Little European solution." France and the German federal republic, he observed, were not Europe; "we must now clasp England's hand as warmly as we have clasped the hand of France."

Such reservations as these were drowned at the time in the applause of the Bavarian and Swabian crowds. The cheers were not for the prodigious visitor alone. They were as much for the idea he brandished of a new era of practical and inviolate Franco-German association. In such a context, who could be against it?

But precisely what it means has been left largely to others to interpret, and maybe to accomplish. General de Gaulle himself spoke at Hamburg of closer military co-operation, and at Schloss Ludwigsburg of the cultivation of a rich variety of contacts between the young people. The "now quite natural solidarity" of Germany and France, he declared, "must of course be organised. This is a task for the governments." Neither German nor French official spokesmen have since been able to throw more light on what is to happen next. Speaking for the Bonn government, State Secretary von Hase has been falling back this week on such handy evasions as "a new impulse" in Franco-German relations, and "the necessity for practical measures for increased co-operation between the two countries." He has reiterated that no new exclusive "institutions" are to be set up.

The enthusiasm of the German crowds was genuine and understandable, but it could be misleading. The Munich correspondent of *Die Welt* reported that when the president spoke of "the two great nations" together facing the menace from the east, an old man near by was heard to mutter: "Fine; but unluckily we're not all that great any more." One of the streamers flourished beneath the French president's nose ran "Long live de Gaulle. Long live Europe—but with England." There is, in short, no evidence of President de Gaulle having swung a majority of German opinion away from belief in the advantages of a European Community embracing England over a more limited association dominated by Germany and France. An unconfirmed report that President Lübke, with characteristic frankness, put this point of view sharply to his guest, is being approvingly circulated. Simultaneously, the Commonwealth conference is being fully reported in the German press, and Mr Macmillan's difficulties are being sympathetically explained to German readers. Not, of course, that Mr Heath and his team are considered disarmingly modest bargainers. As Herr Krone has put it since President de Gaulle's departure: "When I say we are ready to include England, I must add that one doesn't buy a pig in a poke. The English are cool reckoners. So are we."

Sheikh Abdullah on Trial

FROM OUR CORRESPONDENT IN INDIA

NINE years after he was deposed and arrested, Sheikh Abdullah, former prime minister of Kashmir, with 25 other accused, was on August 31st finally allowed to plead not guilty to the charge of conspiring against the government of Kashmir in order to facilitate its annexation by Pakistan. The prosecution was due to open its case on Thursday, September 13th.

Sheikh Abdullah, a tough, able and arrogant man, once a close confidant of Mr Nehru, was the leading Kashmir nationalist before 1947. He played a large part in securing the state's accession to India when Pakistani tribesmen invaded it after independence, and became its first prime minister. But from 1952 he began to criticise discrimination against Moslems in India and to suggest, once in public, that Kashmir should be independent. In May, 1953, a committee of leading members of his ruling National Conference party—among them Bakshi Ghulam Mohammad, the present prime minister—decided to press for a plebiscite, with independence as a third choice. Bakshi, however, urged the alternative of an autonomous buffer state consisting of the Kashmir valley, leaving the north and west to Pakistan, and Jammu, the largely Hindu southern portion of the state, to join India.

On August 9, 1953, Sheikh Abdullah was abruptly deposed and Bakshi took his place. Abdullah was detained until January, 1958, released and rearrested the same April. He was only committed for trial in January, 1962. If it is allowed to run its full course, the "Kashmir Conspiracy Case" will be a long trial. The committal order fills more than 1,000 typed pages. The prosecution has over 200 witnesses. Mr Dingle Foot, QC, is leading the defence, aided by several Indian lawyers.

ALL the accused are charged with conspiring to overawe the Kashmir government by force, or the show of force. They are alleged to have obtained funds, posters, arms and explosives for this purpose with Pakistani help. At the last moment the prosecution added the charge of conspiracy to "wage war" against India, a technical term for which, with unwitting appropriateness, they quoted precedents in British prosecutions of Indian patriots. A curiosity about the charges is that they relate only to the period between Sheikh Abdullah's first arrest and his second, for nine-tenths of which time he was in prison. He is alleged to have master-minded the whole conspiracy from his jail, where his conditions of detention were not exactly onerous. The earlier actions that supposedly justified his removal from office have been forgotten. In particular, the charge that he was intriguing with the United States to make Kashmir a cold war base has long since passed into limbo, together with the "unimpeachable" evidence that his opponents once claimed to hold for it.

Another curious thing about the charges, which he has pointed out, is that the prosecution evidence shows that the government knew about the conspiracy by 1955. Begum Abdullah at least was deeply involved from the beginning, and, as the prosecution emphasises, she would hardly have been acting without her husband's knowledge, if not orders. Yet he was unconditionally released in January, 1958. Unfortunately, he will not be able to testify to his version of the truth. Kashmir passed a law in 1956 amending the criminal procedure code to allow an accused to give evidence in his own defence; but the amendment was to come into force on a day appointed by the state government. That day has not yet dawned.

Meanwhile, Kashmir is going through a political crisis, directly though not obviously related to the trial. Bakshi stands on one



side, with his education minister, Ghulam Mohammad Sadiq, and a substantial part of Indian official opinion on the other. The dispute centres on Kashmir's relationship with India: the corruption of the Bakshi regime and the lack of normal democratic liberties are also under attack. Kashmir is integrated in most respects with India. But it still has its own constitution, flag, prime minister and head of state. Sadiq, a left-winger, wants the Indian constitution amended to put Kashmir on the same footing as any other state. Bakshi, and most of the National Conference,

do not. For the time being, Mr Nehru has said, the amendment will not be made. But New Delhi suspects Bakshi of being a little too independent, indeed, of hankering after the ideas that led Sheikh Abdullah to jail. Earlier this summer he was privately urging that Abdullah should be released. He himself has been offered a place upstairs in the Indian cabinet, but has refused it.

Simultaneously, though probably not by coincidence, there has been considerable public criticism in India of Bakshi's government, whose faults till now have been discreetly passed over. According to an impeccably patriotic commentator, his administration is "riddled with corruption" and "blatant nepotism." An anti-corruption act was passed this summer, apparently under direct pressure from Mr Nehru, who visited Kashmir twice within a few weeks. The first victims of any serious clean up, one is told, would be Bakshi's relatives. Bakshi has continued the tradition of suppressing civil and political liberties that was inaugurated by Sheikh Abdullah. It is not only the pro-Pakistanis or Abdullahites who are repressed, but also the pro-Indian opposition parties, based mostly in Jammu. They allege that their supporters are black mailed and beaten by the "peace brigade" (National Conference strong-arm squads, another inheritance from Abdullah) and their candidates kidnapped on the way to the nominations.

These charges may be partly discounted as the common coin of frustrated opposition. But Indian observers admit that the atmosphere they describe is substantially correct. As long as Sheikh Abdullah is imprisoned political normality is impossible. He claims to have been several times offered release and the premier-ship if he would accept Kashmir's status as part of India; he has always refused his freedom on these terms, and if he is released the whole business of Kashmiri independence will start up again.

The real issue at the trial is whether a Kashmiri leader is to be allowed to put Kashmir's interests before India's. Abdullah, who is still widely, though covertly, popular in Kashmir, believes that the Kashmiris are being sacrificed to provide fuel for the cold war between India and Pakistan. As he told the court on August 31st, "This is a political trial. I and my friends have been detained over many years, and we are here today, because of the principle for which we have stood, the right of the people in Jammu and Kashmir state to be masters of their own destiny."

The saddest feature of the trial for those who value Indian democracy is the clamorous silence that surrounds it. Just as there is no serious discussion, in India or Pakistan, of a solution to the Kashmir question, because there is no serious reporting of the real situation, so there is no serious public discussion of even the most elementary principles involved in Sheikh Abdullah's case. Hardly a voice has been raised to suggest that it could be in any way shameful that he should have spent almost as long in prison

without trial as, in the course of nine trials, did his former brother in arms, Pandit Jawaharlal Nehru.

Finland's Controversial Canal

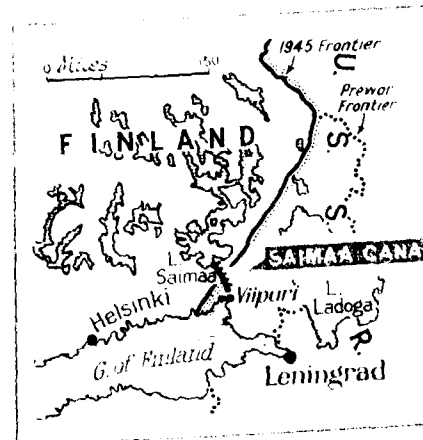
FROM A CORRESPONDENT IN HELSINKI

AN agreement to lease to Finland for fifty years the Soviet section of the Saimaa canal, as well as an island port on Soviet territory, was initialled on August 27th and will be discussed by the Finnish parliament soon after it reassembles next week. The project for the lease was first agreed upon when President Kekkonen went to Moscow in December, 1960. Since then many doubts have been raised in Finland about the cost and the wisdom of the project.

The main pressure behind the agreement has come from the Agrarian party, which dominates the present government coalition. The leading papers of the conservative groups in the coalition have strongly criticised the agreement on the ground that the project will not be profitable, in spite of the government's calculations to the contrary. It will take five years to carry out the extension and repairs that are necessary before the canal can be used for traffic. The statisticians who present figures on the profitability of the canal almost seem to have conjured away the undeniable fact that during this five-year period the waterway will swallow at least 15,000 million marks (about £17 million) before the first ship has paid the first dues. Some of the strongest critics have mentioned a much larger initial expenditure and maintain that it will be decades before the canal shows a profit. They argue that Finland, whose yearly budgets are balanced by high government loans, cannot afford to invest in the canal, especially as the present tense relations between East and West may not encourage the international traffic that the Finns hope for.

In the agreement initialled last month the Russians insist that the passage of any warship and the transport of troops and military equipment on ships of third nations shall be forbidden. This is understandable. But they also insist that Soviet laws should be in force in the canal area leased to Finland, and that the Soviet Union shall have the right to forbid the entrance of third-nation ships should their presence in the Soviet part of the canal be considered incompatible with Soviet security interests. This may affect the Finns' expectations of the extent to which foreign shipping will use the canal. West German and Dutch shipping have been mentioned in the discussion as possible users of the canal. But Nato countries may not care to risk their shipping in the canal (nor may the Russians allow them to do so) when there is tension in the Baltic area. Furthermore, others besides the Finnish Seamen's union may feel that the thirty-metre-wide zone on both sides of the canal (at locks and bridges it goes up to 200 metres) is not enough to guarantee the security of ships' crews, or to protect stranded seamen from the suspicion of undesirable activities.

The Saimaa canal, which, if a number of lakes are included, is about 57 kilometres long (33.8 kilometres of which is through Soviet territory), runs from Finland's south-east lake district to an inlet of the Baltic sea just north of the former Finnish city of Viipuri at the end of the Gulf of Finland. During the war there was little



traffic through the canal, and under the 1944 armistice an important part of it was included in Soviet territory. The big companies who had used the canal for shipping their products from the interior of Finland reorganised their transport system and took part in building new harbours. They have shown no great desire to go back to using the canal.

During the five-year period when the canal is going to be enlarged and dredged, locks repaired, bridges built and other constructions carried out (all of which Finland will pay for), Finland will also pay Russia a total of 600 million marks (about £670,000) as compensation for the Soviet-owned canal area and for the lease of the area. Finally, when the canal is ready for use, the annual lease will amount to 64.3 million marks if the goods transported fall below one million tons; the amount of the lease will increase according to a fixed scale and will be 95 million marks when a volume of two million tons or more of goods is carried through the canal. A Finnish commission has estimated that the first year's volume of goods traffic will be one million tons and the income from canal fees will be 230 million marks. The annual cost of running the canal is estimated at about 100 million marks.

The government has argued that the Saimaa project will do much to help to develop the economic life of south-east Finland. But one cannot help wondering whether the large investments in the canal project will not use up a disproportionate amount of the government's capital and lead to economic stagnation elsewhere. A study carried out not many years ago reached the conclusion that the canal was unprofitable. Many critics of the project feel that south-east Finland would benefit more from an extended network of roads and railways and from investment in new industries. This chorus of politicians and financial experts, who doubt the wisdom of reviving the canal after more than twenty years of disuse, will continue to hold forth. But once the agreement is signed there will be nothing else to do but hope that it will not become too heavy an economic or political burden on Finland.

After Me, the Void?

FROM OUR PARIS CORRESPONDENT

IN Gorki's play, "Lower Depths," one character collects complicated words in the hope of finding a magic formula that will save the world. This delusion can be found in more sophisticated versions. There are jurists for whom political harmony is merely a question of a nicely balanced constitutional law. France has many such learned men, despite the fact that so many French constitutions, after being received with enthusiasm, ended in the dustbin. The disputations about the virtues of the constitution of the Fifth Republic are puzzling if one knows with what frequency and ease it has been violated since its introduction in 1958. But the discussion is now more heated than ever. The bullets that missed General de Gaulle by inches, at Petit-Clamart on August 22nd, drew attention to the institutional void that is usually hidden by the president's towering figure. And now the persistent rumours of constitutional change have been confirmed.

In a broadcast next Thursday General de Gaulle will tell the French people that they are going to be called to the polls again towards the end of October; the purpose of the referendum will be to alter the method of electing the president. Hitherto French presidents have been elected by a limited corps of electors consisting largely of parliamentary deputies and local councillors. To increase the power and prestige of the office, it is now proposed that the president should be elected not by 90,000 or so notables, but by universal suffrage.

The suggestion that the president should be elected by a popular vote is being supported in some quarters by the argument that

France is moving towards an American system of government. To demonstrate the absurdity of this thesis, and the difference between the two systems, it is enough to imagine the power that President Kennedy would have if he could dissolve a recalcitrant Congress. In the gaullist system, parliament is subordinate to the president. The president, elected for seven years, has all sorts of special powers, including the power to dissolve the National Assembly; but the assembly, elected for five years, cannot touch the president.

True, in the gaullist constitution the president is supposed on paper to be an arbitrator, and the government is supposed to govern, "to determine and conduct the policy of the nation." Yet nobody supposes that President de Gaulle would let his prime minister decide any major issues. The few who suffered from this misapprehension while M. Debré was prime minister have dropped it since M. Pompidou took over.

If a suit is made to measure, its wearer may get it altered if it creases in the wrong places. That the 1958 constitution was made to General de Gaulle's measure is understood by all. The puzzle is what he hopes to gain through the projected change. A popular vote will not increase his prestige. In fact, it is assumed that the new system of election would be applied only after the end of his current mandate (that is, only in 1966). As to the general's successor, the question for him will be one of power rather than prestige; it is not at all certain that the struggle for the succession would be fought in a constitutional framework.

Under the present law, if the presidency becomes vacant its functions are provisionally carried out by the leader of the Senate (at present, M. Monnerville) and a new election must take place within 20 to 50 days. To eliminate this dangerous interregnum, it has been suggested that a vice-president, who would succeed automatically, should be elected. Various names—ranging from the faithful M. Debré to the pretender to the vacant French throne, the Comte de Paris—have been advanced as the general's likely choice. But if the vice-president is to be elected at the same time as the president, there are two difficulties. First, General de Gaulle would have to face the electors once again and run the risk of losing votes, particularly through his association with his deputy; second, a vice-president carried by his chief might lack the independent status to maintain his position once the general has gone. If the vice-president were to be elected separately, on the other hand, General de Gaulle's candidate would risk defeat. In view of all these snags it is not at all certain that this idea will be carried into practice. It may merely turn out to have been a source of jokes about Joan of Arc's troubles with the Dauphin.

THE would-be assassins of Petit-Clamart realised how much the French political system rests on one man. They hoped that in the upheaval after General de Gaulle's death they could repeat the sequence of events in 1958, revive the bogey of a popular front and call the army in to "preserve law and order." Who would be the general in this new performance? What would be the attitude of the army and the reaction of the other political forces? These questions cannot be answered in advance, but the Secret Army Organisation has accurately grasped that its main chance lies in the political vacuum surrounding General de Gaulle. The rubber-stamp assembly elected in 1958 has managed the extraordinary feat of discrediting parliamentary institutions still further. If the new assembly to be elected next year has a majority intent on carrying out its own policy, the conflict between president and parliament, inherent in the make-up of the Fifth Republic, may have to be fought to a finish. This the government wants to avoid.

But the political void seems to be self-perpetuating. General de Gaulle may parley with military officers, or even give ground to trade unions, if their pressure is serious. But he does not want to share power with parties, parliament or other organised bodies; thus he has been led to accumulate enormous powers in his hands.

Personal popularity, carefully fostered, has made it unnecessary for him to use these powers to the full as yet. Yet the weapons are there, should the mood change or a less popular successor take over. The gaullist system, so centred on one man, is not designed to produce a successor who can match the general's popularity. His court has room for feudatories and able, obedient technocrats; there is none for men who could catch the public imagination. When the moment of succession comes, whether through natural or other causes, the choice will depend on the balance of political forces in the country rather than on the constitutional changes that are going to be debated with increasing vigour in the coming weeks.

Gold Medal for "Bung Karno"

FROM OUR HONGKONG CORRESPONDENT

THE beautiful friendship between China and Indonesia, so grievously strained two years ago, with unworthy words on both sides, was affectionately consolidated last month on the playing fields of Djakarta. The Asian Games—held in a Russian-built stadium for visitors who stayed in a Japanese-built hotel and who travelled in Australian-aid buses along a highway built with American aid—may not have enhanced Indonesia's reputation for sportsmanship. But the chicanery which resulted in the exclusion of Nationalist China was a ringing reaffirmation of renewed trust and understanding between President Soekarno and Chairman Mao. "Bung Karno" ("Big Brother" Soekarno) certainly earned a gold medal from Peking.

There is no hard evidence here to indicate whether Peking or Indonesia took the initiative in excluding Formosa, whether Peking used strong pressure from the outset, or whether the Indonesians, in their anxiety to please, anticipated Chairman Mao's wishes.

On the record, it was about time for President Soekarno to make a gesture of sorts to Chairman Mao. Since the uproar about overseas Chinese in Java and Peking's subsequent retreat, the Chinese Communists have been both generous and gracious to Indonesia. It requires an effort now to recall that only two years ago relations between Indonesia and China were as bad as relations between India and China today. Dr Soekarno's anti-Chinese directives, mirroring the customary south-east Asian resentment against the local influence and success of hard-working Chinese traders and storekeepers, had caused much hardship and loss to the Chinese in Java. Peking spoke angrily of "vicious discrimination" as the Indonesian army and police banned Chinese from retail trading in rural areas and began forcibly to evict Chinese from their homes. Peking, it is clear in retrospect, overplayed its hand by urging the Chinese in Indonesia to defy and even resist the Indonesian government.

Mr Huang Chen, the Chinese ambassador, and his staff addressed meetings and intervened between evicted Chinese and the Indonesian authorities, who, in a characteristic Indonesian reaction, at once responded with tougher methods, culminating in the Tjimahi incident, in July 1960, when two Chinese women were shot to death. At the same time, Peking recklessly invited all Chinese who were suffering hardship in Indonesia to return to the motherland and "take part in the glorious work of socialist reconstruction." This invitation was an embarrassing success; 40,000 were repatriated in five months, and tens of thousands more applied. Peking, lacking sufficient shipping to carry the repatriates and enough food and accommodation for them on arrival, quietly applied its own discrimination and accepted only skilled technicians or students.

The powerful Indonesian Communist Party (PKI) was in despair. Compelled to go along with Chairman Mao, it found itself compromising its close association with Indonesian nationalist aspira-

tions. Its suspicious and formidable critics, including army leaders, were able to argue that the disloyal communists were conspiring with Chinese aliens and with the Peking government against the Indonesian people and government. The secretary-general of the PKI, Mr D. N. Aidit, made anguished representations to Peking to drop a lost fight and improve relations with Indonesia at all costs.

Peking's flexibility in crisis can be very realistic. Suddenly in 1961, discord was forgotten; the affable foreign minister, Mr Chen Yi (who had been invited in 1959), arrived in Indonesia; the glorious indestructible friendship of the Chinese and Indonesian peoples was joyously affirmed. China, it transpired, was enchanted with President Soekarno's "dual nationality" formula for discrimination against Chinese aliens. A Sino-Indonesian friendship treaty was signed; China pledged economic aid, and Chairman Liu Shao-chi himself was invited to visit Indonesia. Then, in June last year, President Soekarno revisited Peking, where he dismissed the previous unpleasantness as "a small dispute between brothers" and deftly applied the screws to translate aid promises into fact. China is now committed to a \$30 million programme of technical aid for Indonesian textiles on the liberal terms of two per cent over 12 years.

It may be assumed that, having managed to extricate themselves from one dangerous contretemps, the Chinese communists are resolved to avoid any further discord with Indonesia, since discord can serve only to benefit Soviet comrades and western enemies. Asia is China's zone of communist influence, and Soviet aid, even if it cannot be matched, can at least be partly offset. According to private diplomatic reports from Peking, China will be expanding its economic aid to Indonesia on the pattern of its current assistance for Indonesian textiles, which, apart from political considerations, does represent a reasonable investment repayable in sterling or other convertible currency.

Mr Liu Shao-chi has yet to fulfil his formal acceptance of the 1961 invitation to visit Indonesia. If he comes, it will not only be his first venture outside the Sino-Soviet block, but also the first visit by a Chinese communist head of state to a non-communist country.

New Paths for Comecon

NEW epoch, new era, new stage—these expressions recur in recent Soviet analyses of the international economic situation. The Russians started taking European integration in earnest roughly when it became obvious that Britain was making a serious bid to join the common market. Since then, their interest has grown considerably. In the last few weeks, an international marxist conference has been held in Moscow, with European integration on its agenda, and Soviet publications have been filled with lengthy articles on the same topic. Naturally, the attitude towards the common market remains hostile, but the analyses have become more complete, better documented and more sophisticated. On August 26th *Pravda* published theses, prepared by the Institute of World Economics and International Relations, which can be taken as the official Soviet view on the common market; they reflect the mixed feelings of the Russian leaders on this subject. Satisfaction at the "contradictions within the imperialist camp" is tempered by the feeling that the tilting of the Atlantic balance in Western Europe's favour is unlikely to work to Russia's advantage.

If the Russians are still pondering how best to react to the complex and changing situation in the western world, they have already drawn one domestic conclusion. They have decided to hasten the long delayed integration of their own block or, rather, of its European part. In this respect, Mr Khrushchev's lengthy essay on "Topical Problems of the Development of the World

Socialist System," published in the last issue of *Kommunist*, is a most important and revealing document.

Mr Khrushchev accepts Lenin's conception of a communist "world co-operative" as the ultimate objective. He recognises, however, that the countries of eastern Europe are still very far from it. He puts the blame for the relatively slow progress of their economic collaboration almost exclusively on "capitalist vestiges." The economies of the non-Soviet members of the block were, he argues, entirely geared to exchanges with the West, and they were so backward that it was necessary first to broaden their industrial base. While condemning the search for self-sufficiency, particularly in small states, Mr Khrushchev forgets to add that this creation of a constellation of self-sufficient little Russias was Stalin's idea. In any case, he now proclaims that individual autarkic tendencies are a luxury the communist block cannot afford. The stage has been reached when frontiers should no longer be allowed to distort the location of industry or limit the size of economic enterprises.

Between 1950 and 1961 foreign trade among the countries belonging to the Council for Mutual Economic Aid (Comecon) increased about 3.5 times, roughly as fast as industrial production. Trade in raw materials increased more rapidly than in industrial products. Left to itself, this trend would continue. According to current forecasts, Comecon's output of machinery is intended to rise by 50 per cent between 1960 and 1965, and trade in machinery by 45 per cent. But according to Mr Khrushchev things will not be left alone. Radical measures will be taken to ensure that exchanges between Comecon countries rise much faster than production. Co-ordination of investment is to be the crucial step on the road to combined planning. Each member country is still to decide the proportion of its national product earmarked for investment, but since major investment projects in all key industries are to be thought out on the scale of the block as a whole, investment policies will, in practice, have to be elaborated collectively.

MR KHRUSHCHEV claims that communist planners now have the statistical and theoretical equipment to embark on these collective policies. At the Comecon meeting in June, the organisation's statutes were strengthened; Mr Khrushchev claims that Comecon now has the powers to put the new policy into practice. Two reforms are foreshadowed, the absence of which has always astonished outsiders. In the first place, exchanges within the block are to be shifted from a bilateral to a multilateral level. A clearing bank, a sort of communist European Payments Union, is to be set up. Secondly, the setting up of an international communist bank is envisaged; its primary purpose would be to finance combined projects within Comecon (and, possibly, common ventures outside). To stimulate trade between communist countries, Mr Khrushchev also contemplates the introduction of special export subsidies as a temporary measure until trade channels are sufficiently expanded.

Communist planners can boast that they are already working on several combined projects, the most famous of which are the European electricity grid and the international pipe-line. They can claim as well that they have co-ordinated fuel and power targets for 1965 and are preparing combined objectives for 1980. Mr Khrushchev disclosed that it is planned to increase the combined Comecon output of fuel from 970 million tons (of hard coal equivalent) in 1960 to 3,400 million in 1980. The figures for electric power are, respectively, 407 billion kWh and 3,500 billion kWh; and for steel, 86 million tons and 330 million tons. If the Soviet figures are deducted from this total, the steel output of other members of the block should increase from 21 to 80 million tons and electricity generation from 115 billion kWh to around 650 billion kWh. But what is now foreshadowed is more than a number of combined targets. It is the common elaboration of joint blueprints for entire branches of industry, starting with basic materials, heavy engineering, chemicals, trans-

port and agricultural equipment and spreading to light industry. It is a gradual, but in Mr Khrushchev's view rapid, transition to joint planning, to a *Gosplan* for the whole block.

What will be the reaction of Russia's partners to such a drastic transformation? Once bitten by stalinist practices, are they not twice shy of co-operation with Moscow? Two factors seem to indicate that the moment for action was well chosen. First, the June conference in Moscow, which accelerated the process, was, apparently, held at the demand of Poland, the least orthodox of members. Secondly, worries caused by the prospect of the external tariff of the common market will tend to throw communist countries in Europe together. There remains the problem of China.

Most of Mr Khrushchev's article is taken up with Comecon. Outer Mongolia, admitted to membership in June, is the only Asiatic country in the organisation. In one cryptic passage the Soviet leader suggests that although all countries did not start on the socialist road together, the progress of Comecon should help them to make a collective advance. In another passage, also obviously directed at the Chinese, he attacks the "so-called Marxists" who misunderstand the "Leninist" doctrine of peaceful co-existence and underestimate the chances of communist victory through superior economic growth. Is he suggesting that if the Chinese accepted his doctrine, they would be entitled to greater aid from the European members of the block? In any case, Mr Khrushchev's internal initiatives cannot be dissociated from his assessment of the international situation.

Lee Out-Generals Them

FROM A CORRESPONDENT IN SINGAPORE

UNDER Mr Lee Kuan-yew's leadership, the Singapore government persuaded its electorate to vote for federation with Malaysia on September 1st by a campaign that was politically mature, strategically consistent and tactically resourceful. This success was achieved against the grain of communalist feelings in the Chinese majority of the population, and against the most sustained political campaign ever mounted by the Malayan Communist party. In spite of criticism, the government decided that only a referendum could kill the accusation that it was "selling out" to the Malays of the Malayan federation to the north, and could prevent the opposition from claiming that it wanted, and could get, better terms for Singapore. It was a necessary struggle, not a "pointless poll."

The turning point in the battle came when the Malayan government agreed that the Malaysian citizenship recommended by the Cobbold commission for the three British territories in Borneo could be extended to the population of Singapore. This destroyed the charge that Singaporeans would be "second-class citizens" in Malaysia. It enabled Mr Lee Kuan-yew to mount a powerful campaign in the press and (decisively) on the radio on behalf of alternative "A" on the ballot paper—equal citizenship, plus autonomy for Singapore in education and labour matters. When the Chinese chamber of commerce and the Chinese teachers' union came out in support of alternative "A," the tide had palpably turned.

Nine-tenths of the electorate went to the polls under the system of compulsory voting introduced for the 1959 elections. Of the 561,559 votes cast, 70.8 per cent were for the government's proposals, and three per cent for the other two proposals. The blank votes called for by the opposition in protest against a "sham" referendum accounted for a quarter of the total. Thus the result was clear and decisive, with a majority larger than the two-thirds required for fundamental constitutional changes. One of the most

bitterly criticised clauses of the Referendum Bill provided that blank votes should be counted as supporting the majority view. A decision based on these blank votes would have been politically vulnerable; but there has been no need to call on them.

Singapore's present provisional constitution, with its vestigial traces of colonial rule, has thus fulfilled its purpose of giving the people the opportunity to decide the pattern of their independence—whether chauvinistically Chinese, parochially Singaporean or nationally Malaysian. The only state in the world that has both a Chinese majority (78 per cent of the electorate) and a free constitution has voted to submerge its independence in a larger state in which the Chinese will be in a minority, and in which compromise between the various communities is the condition of survival.

Not less important is the fact that most of the Malayan 12 per cent of the electorate—who might have been expected to vote for alternative "B," which provided for a more restrictive form of citizenship and did not give autonomy to Singapore—have in fact voted for the alternative that gives special rights to the Chinese. This, with the welcome which Malays in the rest of the federation have given to the results of the poll, augurs better for the future than the bitterness of the past fifteen months might have led one to predict. Moreover, the Singapore result will make it easier for realistic Chinese in the Borneo territories to resist the communalism preached by the dominant extremists in the Sarawak United People's party.

What of the future of Singapore's internal politics? Mr Lee Kuan-yew's People's Action Party (PAP) has won a famous victory, but this will not necessarily benefit the PAP itself. The 140,000 blank votes represent the half of the PAP poll that it lost through the secession of its left wing in 1959. To the half of the "old PAP" vote that stayed with the government have been added 250,000 votes cast on a national issue. Will these people go on looking to the PAP to fulfil in Malaysia the hopes behind their votes? Or will they look to the group led by Mr Lim Yew-hock, who keeps politically close to the federation government? These two men may just possibly work together in the Malaysian framework. At least both realise that at this stage it is only in co-operation with the ruling party in Malaya that they can maintain the communal harmony achieved in the referendum.

As significant as the cause that has won is the cause that lost. Not all the blank votes were communist. Mr Ong Eng-guan, the former mayor of Singapore who is now in opposition, and Mr David Marshall, a former chief minister, have staked their claims to the blank votes. Nevertheless, the defeat of the communists in their most determined political campaign is almost as significant as their military defeat in the Emergency. The myth of their invincibility has been exposed within their own community. The dominant feature of the banner of the Barisan Socialist group is the red star, and it has stood for a heady brew of Chinese chauvinism laced with communism. Mr Lim Chin-siong, the group's secretary-general and the focus of the turbulence of 1955 and 1956, has talked in terms of a "twenty-year struggle" beginning with the fall of Singapore in 1942. Just as the people had defeated the Japanese and the "Ang Mos" (red-haired devils) of colonialism, so, he said, they would defeat Mr Lee Kuan-yew.

A pattern has been found for the containment of communism as an internal threat, provided that the promise of "honourable" co-operation between the communities is fulfilled, and provided that the unity of the referendum is not splintered later. The external threat remains, both from the Indonesian communist party and from Peking, which regards Malaysia as a bastion of the South-East Asia Treaty Organisation. But as long as the opposition is conspicuously alien, the external threat too can probably be held in check—long enough, that is, for the non-communists to try to prove that the Malaysian dream can yield real benefits.



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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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All This— and Cuba Too

WASHINGTON, DC

IT looks like being a rough autumn for President Kennedy and perhaps for everyone else. When the Russians unveiled their build-up in Cuba American attention was on Berlin and Americans had begun to give up hope that Mr Khrushchev would have enough sense not to let the East Germans mishandle the situation there into a crisis. Prolonged probing had turned up no evidence of any Soviet ardour for a deal on disarmament or atomic testing or even for one on avoiding a proliferation of nuclear weapons—to which the Administration attaches great and growing importance. In these circumstances the latest developments in Cuba have made Mr Kennedy look like a man with not one, but two, Achilles heels. The Democratic party, whether Mr Khrushchev intended it or not, is impaled on the horns of its old painful dilemma: either it will be accused of being soft towards communism or it will be reproached as the war party.

Mr Khrushchev's probes are seen to be crueler and appear to be more effective than the patient searching of Mr Dean Rusk, the Secretary of State. This week's Russian statement may well constitute a clumsy retreat being carried out under a smokescreen of bluster. But the bluster creates some risk that pressure may be put on the Administration by angry Senators and others to call Mr Khrushchev's bluff. The Soviet Union chose a bad week in which to tell President Kennedy to put up or shut up over Cuba. Americans are suffering from the all too familiar affliction of frustration. They think that they were ineffectual in dealing with the Berlin wall and they fear that the Administration is going to be ineffectual again in dealing with Cuba.

Inevitably these feelings reflect on Mr Kennedy, whose popularity was in any case going through a downturn in the cycle of public opinion. It is recalled that, in the 1960 presidential election campaign, he advocated direct action against Dr Castro (but later stumbled into the Bay of Pigs). If he actually calls up any military reserves there are fairly sure to be cries of anguish. Meanwhile, the President is also criticised for merely reacting to both the Russians and the Republicans instead of showing that he is in possession of the initiative. This makes some people speculate aloud and in print about what is called Mr Kennedy's imbedded vein of indecision. To say that Soviet weapons in Cuba seem to be only for defence but that steps will be taken if they turn out to be for other purposes is regarded as being much the same as saying that there is no real trouble but that bloodshed will ensue if it does not stop.

Perhaps the Republicans would be more than human and much more than politicians if they did not try to make a little hay out of such a situation only two months before the elections. That is how sapient observers view the Republican proposal to give the President authority which he does not need to use troops in an invasion of Cuba which he does not wish to launch. The Republicans are seen as proposing in effect to hand Mr Kennedy a dagger in order to discover whether or not he is as infirm of purpose as they suspect he is.

However, even before he had a chat with the President, General Eisenhower was quick to announce that the Republicans would be wrong to make a campaign issue out of Cuba or out of any other aspect of the country's foreign policy. Senator Dirksen, the Republican leader in the Senate, gave a similar assurance—though he had just been criticising the Administration for not squeezing more propaganda advantage out of the Berlin wall. But for foreign policy to be bipartisan does not, it seems, mean either a halt to heated debate or any sharing of responsibility. Both parties are preparing political moves. Mr Kennedy's request to Congress for standby authority to call up military reserves in case of need trod heavily on the heels of the Republican proposal to authorise his use of troops. It might seem, therefore, like a complementary step but in fact it is regarded almost universally as a political counter-stroke. The Democrats are combing feverishly through the Republican record on Cuba to be ready to prove if they have to that it is the Republicans' fault that there is a Cuban problem at all.

Mr Rusk is not expected to persuade the Latin American foreign ministers to agree to new sanctions against Cuba and the United States is unlikely to go it alone. Unless nuclear weapons were used, the conquest of Cuba would probably take at least a little longer than some of those who urge an immediate attack are prepared to admit. Others acknowledge that an armed invasion of Cuba would mean the deaths of thousands of Cubans and of an untold number of Americans. And yet a danger exists of events taking charge of men. There could be—or there could be thought to have been—a Cuban attack on the Guantanamo naval base. There could be other provocations that might be deemed equally intolerable. Not totally precluded are landings by anti-Castro Cubans, avoidance, this time, of a Bay of Pigs disaster and the start of serious guerrilla warfare. Almost everyone is perfectly aware of the dangers of Cuba becoming the scene of another Spanish civil war, in which Russians as well as Cubans would no doubt kill and be killed.

PERHAPS the chief restraining factor on bitter American impatience is that action by the United States against Cuba, including a naval blockade, might tempt Mr Khrushchev to snap shut the trap in which Berlin finds itself. Senator Dirksen has pointed this out. But another Republican, Senator Keating, suspects the Administration of meditating a "deal" with the Russians about Berlin and Cuba. Others say that, if the United States fails to deal, in a different sense, with Soviet-armed communism only ninety miles from American soil, Mr Khrushchev will be convinced that the United States will not defend Berlin.

Meanwhile, there is some irritation both with the Latin American countries and with the European friends of the United States. The former are held to be laughing up their sleeves at American "weakness" over Cuba, while fiddling their private funds by the billion into Swiss banks and other safe sanctuaries as their own countries totter. Senator Dirksen has declared that Soviet supplies are being taken to Cuba in British, west German, Norwegian and Greek ships and has encountered no resounding denials. There is a growing consciousness in America that it is not just in Cuba that Soviet trade, especially in oil, and Soviet aid are rapidly increasing but in many parts of the free world. American pro-

tectionists who oppose the European common market seize the occasion to cry that the countries in that market compete with the United States, yet let it continue to provide the lion's share of the cost of their defence; thus they contribute, it is alleged, to the continued dribbling away of American gold which adds to the profits of European bankers. Even staunch friends of the common market are afraid that in the present lowering atmosphere the initial American enthusiasm for the market could degenerate into irritated impatience if Europe fails to react quickly and decisively to problems which it shares with the United States.

Yet the Administration's own view of the world remains essentially unaltered. It is still thought that Mr Khrushchev will not in fact risk a third and final world war over Berlin; that, whatever happens there, he still has his own difficulties and that one of them is that his own country is changing, on the whole for the better; and that an eventual easing of tensions through disarmament and bans on nuclear tests is in Russia's interest as well as the West's. Recent events suggest, however, that Mr Khrushchev, having grasped the fact that general war has become impossible, is tempted as a result to be more rather than less provocative.

In Germany the American expectation is that on the whole there will be a continuation of the present Soviet tactics, aimed at a separate peace treaty which, Mr Khrushchev hopes, will merely confirm what will by then have already been achieved. The United States intends to continue resisting this. In Cuba Mr Khrushchev is suspected of having imitated an American bad habit and of having gone out of his way to acquire a weak ally to whom he has now had to give military aid. Both militarily untenable west Berlin and militarily unviable Cuba create serious problems. Nevertheless, it is hoped that, with luck, the current Russian exhibitionism may expend itself in mere flares and shrill whistles of propaganda. But nerves ought to be steelled for the noises may be very loud and they may come as well, this year, out of China—and be not just outraged cries about U-2 reconnaissance aircraft, but the long-anticipated big bang of Chinese atomic fireworks.

Tax Revision Revised

WHEN the Senate approved its greatly watered-down version of the tax revision Bill last week, President Kennedy appeared to be ready to accept what his Secretary of the Treasury called "a significant first step toward the reform of our outmoded tax laws." It is a much shorter step than was asked for originally, but it does offer Mr Kennedy what he considers vital. This is the tax credit of 7 per cent for investment in new plant and equipment which is counted on to give a much-desired stimulus to capital spending by businessmen and to encourage them to create more jobs at home and to compete more successfully abroad.

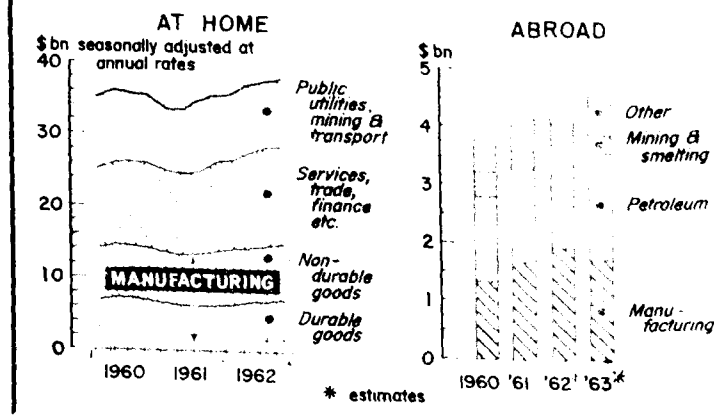
Perhaps in all the circumstances the President had reason to be satisfied. To win his majority of 59-24 Senator Kerr of Oklahoma, the Democrat who piloted the Bill through the Senate, had to beat down the opposition of a curious coalition between liberal Democrats and the usual combination of Republicans and conservative Democrats, led by Senator Byrd of Virginia. Both groups argued that the tax credit provided an unnecessary windfall for businessmen. Mr Byrd and his friends objected to the deficit in the Budget which would result from this loss of an estimated \$1.2 billion in revenue. The liberals wanted to make this good, as the Administration had originally planned to do, by restoring the 20 per cent withholding tax on income from dividends and interest which the House of Representatives had approved, but which the Senate replaced with a mere requirement that such income be reported. Estimates of the financial effects of the Bill

vary, but all agree that the Senate version adds up to a substantial deficit, even though it does provide for increased taxation of savings and loan associations, mutual savings banks and co-operatives, for new taxes on certain foreign earnings and for the tightening up of deductions for business expenses.

Few of these go as far, however, as the Treasury had urged or as the House had approved. Nevertheless, the Administration offered its liberal supporters in the Senate no encouragement in their efforts to strengthen these provisions. It does not intend apparently to insist that the important withholding clauses be restored to the compromise Bill which will be worked out by a conference between representatives of the House and the Senate. Mr Kennedy dare not risk losing the whole measure and with it the investment credit. One thing which he was not prepared to accept, however, was Senator Dirksen's amendment allowing self-employed persons to deduct from their tax base payments towards their retirement pensions. Senator Kerr removed this last-minute spinner from the works by promising to deal with the matter in a separate Bill. This passed the Senate next day but only in a modified form of the version which the House had already approved.

The latest survey, made by the Department of Commerce in August, shows that American businessmen need a stimulus of the kind provided by the tax Bill if they are to increase their outlays for new plant and equipment in the United States at the rate which the lagging economy requires. The total amount of spending for this purpose planned for the rest of this year showed no change from earlier surveys made in February and May. While this is encouraging evidence that confidence in the economic outlook has not been shaken by the recent behaviour of the stock market, it is disappointing that plans have not yet been stepped up as a result of the tax concessions for new business investment announced by the Treasury in July.

The final tax Bill, unlike the original version, will have little if any effect on outlays by American businessmen for new plant and equipment abroad, but in fact this is probably about to fall off in any case. On a percentage basis capital investment overseas has been growing much faster in recent years than it has at home, although total spending is much less. A levelling-off in this hectic expansion appears to be coming next year, however, according to a recent survey of business intentions by the Department of Commerce. This shows an actual turndown in 1963 although the McGraw-Hill Department of Economics does not expect this until 1964. American businessmen seem to be consolidating their foreign operations, partly because these are no longer the bargain they once were now that wages are going up, especially in Europe, partly because there is a feeling that the Administration will probably succeed eventually in its aim of stifling taxation on investment abroad.



Farmers on Strike

FROM A CORRESPONDENT IN IOWA

SINCE September 1st members of the National Farmers Organisation have been withholding their cattle, hogs, sheep, maize and soya beans from market in the hope of forcing food processors to bargain with the organisation for higher, stable prices in the same way as they bargain with trade unions over wages; some processors have had guaranteed contracts of this kind with individual farmers for some years. The decision to start this "all-out holding action" was made a few days earlier at an unprecedentedly large meeting of 20,000 farmers and their wives in Des Moines, Iowa. Mr Oren Lee Staley, the 39-year-old Missouri farmer who is national president of the organisation, told the meeting not to expect results for at least two weeks since it would take that amount of time to exhaust processors' reserves and winnow the withholding farmers down to those determined to make a real test.

The National Farmers Organisation has been working up to this test ever since it was founded in southern Iowa in 1955. Farm strikes were discussed at several early meetings with an organiser from the packinghouse workers' trade union. Memories of how farm "holidays" had failed in the depressed nineteen-thirties caused this strategy to be laid aside for a time in favour of petitioning Washington for high support prices for livestock. Congress has wrangled interminably ever since about agricultural subsidies but has never come close to giving the organisation what it wants. In 1958 it began a new approach, asking farmers to sign agreements designating the NFO as their bargaining agent with the processors. Other farm groups have had some success with such an approach when dealing with fruits and vegetables where the supply is concentrated and with high-quality livestock, but the NFO got nowhere. To back up this bargaining, during the past three years it tried brief, partial "holding actions" to test its strength, with inconclusive results.

In the first days of the 1962 holding action, smaller quantities of livestock were put on the market than a week or a year before, prices went up, both at the wholesale level and in at least some retail shops, and processors began to lay off workers. There were a number of complaints of violence: stones were thrown at the windscreens of farm lorries bound for market; shots were fired at tyres; NFO men crowded the aisles of livestock auction barns, making bids on the stock themselves and shouting down the bids of others. To begin with, the strike was certainly more effective than expected. But the question is whether, now that prices are up, farmers will continue to keep their produce off the market until the organisation gets its long-term contracts.

THE NFO's tactics seem unlikely to work unless they bring the organisation wider public support than it has at present. Outsiders are mostly hostile and the NFO has not divulged the number of its members since 1958 when it claimed 43,000 (15,000 of them in Iowa, where the NFO was then torn by factional strife). There are thought to be many more now and the NFO claims to be the fourth largest farm organisation in the country after the Farm Bureau with 1.6 million families, the National Grange with 800,000 members and the National Farmers Union with 750,000. The NFO also claims that its members control 25 to 30 per cent of agricultural production; few outsiders believe this. And even if the NFO should succeed in cutting market receipts drastically for some weeks and forcing prices up sharply, the effects are unlikely to be lasting; if they are, non-members will probably reap the benefits too.

But it would be a mistake not to take seriously the zeal and indignation of these farmers. The NFO now includes many large

operators and good managers, not just marginal farmers who are in danger of being squeezed out by costs which mount faster than receipts even with bountiful crops and admirable efficiency. And the NFO has just got results from threatening reprisals against the Sears Roebuck Company, the Ford Motor Company and the Standard Oil Company, all large suppliers of farmers' requirements, whose executives had signed the recent report of the private Committee for Economic Development; this recommended lowering agricultural price supports to zero within a few years and taking steps to help another 2,000,000 farmers to move off the land, a proposal which aroused the indignation of the NFO. The Ford Company has now announced that it does not support the report and that its vice-president was acting solely as an individual when he signed it.

The NFO movement contains many skilled organisers; in 1958 it had 45 full-time field men signing bargaining agreements with farmers and in 1959 250 "farmer-reporters" in livestock markets and sales barns were observing the effect of its first small holding action. In the village of Cascade, Iowa, this summer it sent three local teams of farmers down Main Street, asking for contributions to pay for an advertisement to go in the village weekly, headed: "You Bet! We're mighty proud of NFO... Here's what Cascade merchants say about NFO..." Many of these merchants were unhappy when they saw the statement in print or when anti-NFO customers blamed them for the fulsome praise.

Members of the organisation feel that the normal market mechanisms have failed to assure them of survival as farmers and that, whichever party is in power, both Congress and the Administration have let them down. They see no way out except high-pressure tactics like those of trade unions and oligopolistic business enterprises which manage to set their own prices. Whatever they may think of the NFO's policies Democrats are hoping to channel some of the members' dissatisfaction and some of their organising ability into political channels during this autumn's elections.

Trade in Cotton Wool

WITH the tax Bill out of the way the Senate Finance Committee has returned to work on the trade expansion Bill, which would enable tariffs to be reduced, and there is a danger that the same sad story may be repeated. Once again the House of Representatives has given the President practically everything he wants and once again the Senate looks like wrecking much of the Bill. Delay has allowed the protectionists time to get their second wind

"Just One More—"



and they have been emboldened by the concessions with which Mr Kennedy bought them—or some of them—off earlier. As he was warned that they would, they are now asking for more and there have been hints that they will get it from Senator Kerr, who is managing this Bill too and who is himself linked closely with the protectionist oil interests.

Another important protectionist group which President Kennedy tried to appease

earlier was the textile industry and the delay on the Bill has also meant that his efforts to save these manufacturers from foreign competition have come unstuck. This scheme included an appeal to the Tariff Commission for a ruling that the farm programme was being disrupted by cheap cotton textiles coming from abroad and that an import fee of 8½ cents a pound should be put on these in addition to the present duty of 14 cents a pound. This fee was to offset the difference between the price at which manufacturers abroad can buy raw American cotton and that which American manufacturers have to pay because the domestic price is supported at a level far higher than that of the world market. The government subsidises the export of its surplus stocks of cotton and 700,000 bales are said to be coming back this year as imported fabrics. But the Tariff Commission, very sensibly but rather surprisingly, considering its usual protectionist attitude, has now refused to help the American textile industry in this way.

President Kennedy rushed to denounce the "burden" which the inequity of the two-price system imposes on cotton manufacturers and promised to ask Congress to do something about it at the next session. Presumably he hopes that this will keep the Senate from adding the import fee to the trade expansion Bill. But if it does add it, another part of the President's textile scheme may come unstuck. For exporting countries such as Japan might then refuse to ratify the international pact under which the United States sets quotas for imports of various types of cotton goods from various countries; frequent use has been made of these powers recently to curb imports. One importer is now challenging the Administration's authority to do this in the courts and others are fighting the suggestion that a similar pact should be negotiated for wool textiles.

Republican Free-for-all

WITH ten states holding primary elections this week the season was drawing to a close for these contests in which the parties choose their candidates for November's general election. But in New Hampshire, the state which attracted most attention this week, the contest was really for control of the Republican party machine. This had been left without a head by the death of Senator Styles Bridges last November and this summer's fighting to fill the vacancy has been so bitter and disruptive—Tuesday's voting did not settle the matter—that the Democrats hope for some success in what has until now been the most solidly Republican state in the country.

The trouble began when Governor Powell, who owed his political career to Mr Bridges, refused to appoint the Senator's widow to fill the temporary vacancy in Washington. This alienated the influential publisher of the state's leading newspaper, the *Manchester Union-Leader*, and many of Mr Bridges's other sympathisers. Mr Powell added insult to injury by choosing a young protégé of his own, a Mr Murphy from a Roman Catholic, Democratic family. No one would have minded if Mr Powell had taken the Senate seat for himself but he had his eye on another place in Washington—the White House. He is the only Republican who has admitted to being a candidate for the Presidency in 1964—but now he is one Republican who will certainly not be chosen. Anxious to prove his superiority and his vote-getting ability, he ran for an unprecedented third term as Governor but, with a recent heart attack as an excuse, he refused to demean himself by campaigning for the Republican nomination. His record in office was not above criticism and as a result of this, of his dictatorial approach and of the way in which he had alienated many of his old supporters, he was roundly defeated on Tuesday by an attractive member of the State Legislature, Mr John Pillsbury.

Mr Pillsbury is nearly, if not quite, as conservative a Republican

as Mr Powell but the Senate nomination has been won by a middle-of-the-road Republican and this in New Hampshire is the equivalent of being left-wing. There were four candidates but the battle was between Mrs Bridges, as reactionary as her late husband, and Representative Bass, who won by a narrow margin. He had to give up his seat in the United States Congress to run and so did another of the senatorial candidates—the fourth was Senator Murphy—so that the Republican nominations for both New Hampshire's seats in the House of Representatives in Washington were at stake on Tuesday. There were eleven candidates for these two vacancies, nearly all of them extremely right-wing, and it looks as if correspondents who are suggesting that the Republican party in New Hampshire is moving away from its traditional conservatism may be guilty of wishful thinking.

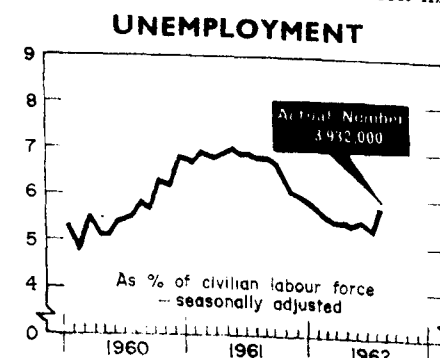
Economy on a See-Saw

AMERICANS came back to work after Labour Day, supposedly followed by an upturn in business activity, to find the economy on a see-saw. This at least is the inconclusive conclusion to be drawn from the latest movements of key economic indicators. Exerting mild upward pressure are personal incomes and corporate profits. The former rose by \$1 billion in August, to an annual rate of some \$443 billion, while earnings of corporations in the second quarter were slightly higher than in the first. This was a surprise—they were expected to be lower—and so pleased the Secretary of Commerce that he released the total figure of some \$50.9 billion at annual rates without waiting for the usual supporting details to be ready.

But swinging lower are certain other indicators of no less significant weight. In August, retail sales were down and unemployment up—in terms of the metaphor a depressing phenomenon. The slight decline in retail trade to a seasonally adjusted rate of some \$19.6 billion was caused by a falling off in sales of durable goods—those of non-durable goods were higher—as the demand for new cars dropped below the improved July level; even so this August was one of the best for Detroit in several years. Factory layoffs there for the change-over to new models, and other special features, contributed to a contra-seasonal rise last month in the proportion of the labour force which was out of work. Therefore this is not considered serious; it is of more concern that in August the average working week in factories declined for the fourth month in a row, to 40.2 hours. Employment rose, also contra-seasonally, to an all-time high of 69,800,000—a seeming paradox explained by the fact that the number of jobs is growing, but not as fast as the labour force.

In spite of these contradictory trends, the mild upturn is still expected to continue. To help it on its way, Congress has just authorised an emergency public works programme to promote large scale federal spending on public buildings, hospitals, streets, sewers, in parts of the country where unemployment is chronic. This is an echo of the President's programme of last spring when Mr Kennedy asked for \$600 million immediately for public works

and stand-by power to spend another \$2 billion if a recession seemed imminent. Congress has refused him the stand-by authority but has voted up to \$900 million, which is probably more than its Appropriations Committees will actually sanction.



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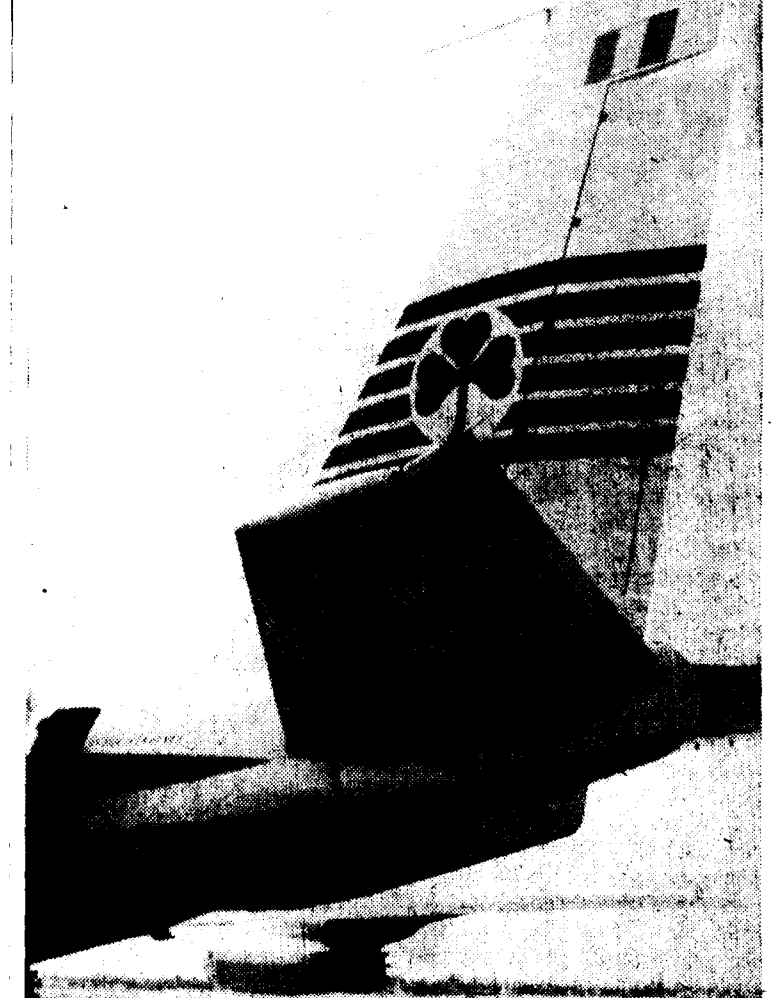


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Connecting

FROM A CORRESPONDENT IN NEW YORK

A WHITE HOUSE conference is to be held later this month on one of the most stubborn, complex and far-reaching social problems in the United States today: that of drug addiction. The exact number of victims is not known. It is generally put at about 60,000, but in California a recent report estimated the number of addicts in that state alone at 20,000 and a report to Mayor Wagner has stated that there are probably 90,000 in New York City. Even the conservative figure of 60,000 is large enough to give the United States the highest rate in the western world.

Drug addiction is responsible for a tremendous amount of petty crime. A capsule of heroin bought on the black market costs about \$2 compared with about 2 cents if it is obtained legally for medical purposes. Addicts usually begin by spending \$4-\$5 a day on drugs. Gradually but inevitably they must increase the dosage to obtain euphoria until they are spending \$50, \$60, \$75 or even \$100 a day. In New York City about one-half of all crimes against property are committed to get money for drugs.

In America, unlike Great Britain, addiction to drugs is directly linked with deep-seated social ills and is rife among the economically deprived groups in the big city slums—racial and religious minorities and recent immigrants. Moreover, to an extent not commonly realised, the narcotics trade in the United States is controlled by the criminal underworld. It centres in New York City's East Harlem. There every major importer congregates to pick up the drugs brought in from the docks. These are hidden for a while, then shipped out to "retailers" or pushers, most of whom are addicts themselves. From there the "connection" is made with the addict, in one of the more sleazy chemists' shops, in a deserted park or an amusement arcade.

Illegal imports of drugs are controlled rigidly by a syndicate. These top men, and their lieutenants, reap most of the industry's profits, which are estimated at \$180-\$350 million a year. (Ironically, whenever there is a big drive against trafficking in drugs, profits shoot up even further while the "junk" is diluted even more than usual.) Members of the syndicate are extraordinarily hard to convict, because they never come near the drugs. Most of them are thought to belong to a Sicilian dynasty whose code of family loyalty effectively prohibits "squealing" on one another. The authorities feel, however, that they are getting closer to the top.

Some experts want to eliminate the criminal element by making it legal, as it is in Britain, for doctors to supply addicts with the drugs which they need. But the federal government believes that this step might reduce crime only at the price of increasing addiction. Instead the government and many states have steadily raised the penalties both on traffickers and on those found in posses-

sion of drugs. In 1955 the Narcotics Control Act raised the minimum sentence for "receiving, concealing, buying or selling" drugs to 5-10 years and the maximum penalty for selling drugs to minors became death. In 1956 the Boggs-Daniel Act eliminated probation, suspended sentences and paroles for drug pedlars.

The federal government has rejected emphatically the idea of clinics to treat addicts, as has the American Medical Association. Instead both advocate putting addicts in hospital where their access to drugs can be regulated completely. Unfortunately, there are only two such federal institutions, one in Lexington, Kentucky, and the other at Fort Worth, Texas, with a combined capacity of only 1,450 patients. Often the waiting lists are so long that addicts desperately seeking treatment are forced to steal to get drugs and land in prison instead. In New York City, which has almost half the cases in the country, the situation is proportionately even more acute. The total facilities available to adults for humane withdrawal from drugs amount to 165 hospital beds. For addicts under 21 there is an additional hospital with 181 beds. The rate of relapse among those leaving all hospitals is more than 95 per cent.

THE champions of clinics for addicts cite this recidivism as proof of the utter bankruptcy of confining treatment to hospitals. Others, who are more moderate, argue that both hospitals and clinics are needed. Diagnosis, study and withdrawal of the addict from drugs would take place in hospital. Then the clinic, to be set up first on a strictly limited and experimental basis, would help the patient to deal with his personal and family problems, give him guidance on how to find and keep a job and assist in overcoming his educational shortcomings. The confirmed addict would be supplied with sufficient drugs for his needs so that he would not have to patronise the illicit pedlar.

Exactly how clinics would deal with the problem of increasing tolerance and how they would prevent the addict from supplementing his legal dose is not clear. But the experiment might be worth trying, not only because it would help to determine how effective rehabilitation can be outside the walls of an institution, but also because it would go far toward answering the basic question of whether clinics could eliminate the illicit traffic and reduce drug addiction. It would also prove whether or not a confirmed addict, when provided with the drugs he needed, could live a relatively normal and productive life. Several states, notably New York and California, are doing pioneer work in rehabilitating addicts.

One result of the poverty of government facilities has been the emergence of voluntary

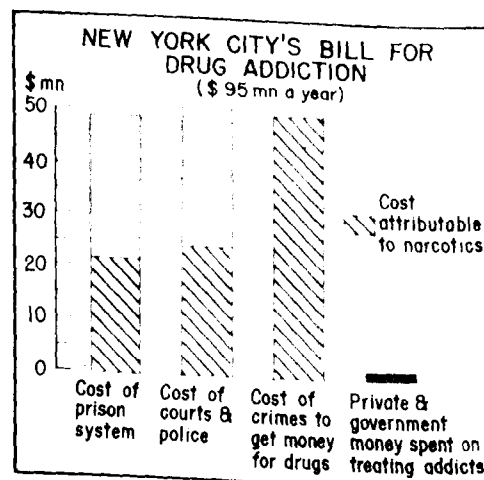
THE ECONOMIST SEPTEMBER 15, 1962

agencies on the community level. In New York, in both East Harlem and Greenwich Village, clergymen, psychologists, social workers and ordinary citizens have set up informal centres which are often the one place to which the addict, at odds with his family and society, can turn for help. Over a friendly cup of coffee he can discuss his problems and receive guidance.

These centres also serve as the "half-way houses" so desperately needed by the addict newly released from hospital who often has no money, no job, no home and only his old drugged cronies as friends. Furthermore, amid the dearth of research on narcotics, at least one centre is keeping careful records which should prove invaluable. In addition, the Salvation Army's Narcotics Anonymous, following the same quasi-religious approach as Alcoholics Anonymous, is doing a remarkable job in bringing together former addicts and those presently "hooked" so that the one may help the other. Of all the traditional welfare agencies, only the YMCA, YWCA and the Salvation Army have given house-room to the addict.

In spite of the wide range of opinion on drug addiction, there is growing unanimity on several points. Perhaps most important is the agreement on the need for more facilities for treatment. Most authorities also feel that there must be more research into all phases of addiction, including the effect of the present laws. For example, the Supreme Court has taken the position that the legality of doctors' relationships to addicts must be determined case by case, presumably through a trial. This makes doctors unwilling to treat such sufferers. Finally, many experts feel that there should be some kind of campaign to educate the public on the nature of narcotic addiction.

There are other promising signs. New York State has just passed enlightened legislation which permits the addict to choose treatment instead of a prison sentence; if his treatment is successful the charges of illegal possession are dropped. Mr Henry Giordano, the new Commissioner of the Federal Bureau of Narcotics, has a less rigid approach than his predecessor, Mr Anslinger. Finally, the White House conference will provide a meeting-ground for the differing viewpoints and, it is to be hoped, a catalyst for government action.



THE ECONOMIST SEPTEMBER 15, 1962

AMERICAN SURVEY

1031

The High Cost of Dying

FROM A SPECIAL CORRESPONDENT

EACH year 1,600,000 Americans die and about \$1,500 million is spent on burying them. Simple division suggests that the average cost of a funeral is \$940 and other estimates bear this out, although obviously many funerals are much less expensive and some cost a great deal more. In the last decade the average charge for a burial has gone up by over 40 per cent, while living costs have risen by only 15 per cent. By any standard the present cost of a funeral is high, even when it includes such extra charges as clothing, flowers, additional cars, grave-digging, newspaper notices and the clergyman's fee, and by most standards it is excessive. For the price of an average funeral in the United States it is possible to buy a television set, a washing machine, a clothes dryer, a dishwasher and a refrigerator.

Contrary to the teachings of economic theory the number of funeral directors (the title "undertaker" is abjured passionately) has increased as steadily as have the prices charged. The latest official total for the country is 20,767. The explanation is that the market is inelastic and fixed while the social customs attaching to death prevent price competition. The Funeral Directors' Association denies that higher volume would reduce costs; it maintains that expenses at funeral homes increase with volume and that more business does not lower costs except in establishments with very few funerals.

One reason why costs have risen so rapidly is the widespread habit of embalming, a process not commonly used outside of the United States and Canada; it is not required by law in any of the fifty states except when the body must travel a considerable distance before being buried. Embalming has led to other American funeral practices, such as cosmetology, a process designed to give the corpse a life-like appearance by means of various make-up



The works—at \$1,200

techniques. From cosmetology came the custom of "viewing the remains" and this in turn required an expensive plush casket so that everyone could pay their respects with due admiration. After that a concrete vault became standard housing for the fine coffin. All of this was a "shot in the arm" for the industry and it looks down contemptuously on the simple, inexpensive funerals common in many other countries.

Acceptance of such costly procedures was accelerated by the fear of social disapproval and there were other reasons why prices became inflated. Industrial insurance was introduced to help the low income groups who suffer most from the high cost of being buried. Part of these benefits was to pay for the deceased's funeral and part to give financial assistance to the widow and children. Very often, however, the full value of the insurance has become

the exact cost of the funeral. In 1947 there was a coal mine disaster in Centralia, Illinois—111 miners were killed—and some funeral directors charged the grief-stricken widows as much as \$1,178.50 for burial services. This incident shocked the public into action and a Senate Investigating Committee was amazed to learn from the head of the largest undertaking concern in the Washington area that he could embalm an elephant for \$1.50.

Attempts have been made with some success by church groups, trade unions and consumer co-operatives to secure a reasonably-priced funeral on an organised basis. In California the East Bay Area Funeral Society reduced burial costs 70 per cent by bargaining collectively with three local morticians. The oldest such organisation is the People's Memorial Association in Seattle, organised in 1939; it now has a membership of more than 7,000 families in Seattle and seventy-eight nearby communities. Similar societies exist in about fifteen American and Canadian cities. When a member joins he chooses a funeral from the many available types; it has a set price and the member pays for it on the instalment plan. In Chicago the average cost of a member's funeral has been about a quarter of the average for all funerals in the area.

Direct control of the funeral industry itself as a means of checking costs has proved almost impossible. The licensing of undertakers and embalmers is done by the individual states and thus restrictions vary widely, in an inverse relationship to the power of the funeral industry's lobby in that state. The industry naturally looks down on cremation; in the whole of the United States there are only 200 crematoria and it usually costs as much as 80 cents a mile to take a body to one. But the co-operative associations usually recommend it and they are growing in size and importance as the American citizen seeks a less expensive way of taking his leave of this earth—even though one mortician is reported to have condemned such societies as "alien to the American way of life."

SHORTER NOTES

The potentiality of the Food-for-Peace programme to win goodwill for America abroad is underlined in the latest semi-annual report on this project from the White House. This shows that some 35 million children in 86 countries are now getting school luncheons under the programme, an increase of ten million, or more than one-third, compared with a year ago. In addition, 14 countries are using commodities provided through this channel to help to pay workers who are building roads, schools, or hospitals and four countries are receiving grain to expand their production of poultry and livestock.

* * *

This month Mr John Henry Faulk is returning to the Columbia Broadcasting System for a series of guest appearances after five years off the air. He is the New York radio and television performer who was recently awarded \$3,500,000 for damages from libel—believed to be the largest such compensation in legal history—because his career had declined after he had been labelled pro-communist. The defendants were the publication, *Aware, Inc.*, Mr Vincent Hartnett, one of its vice-presidents, and the late Mr Laurence Johnson, a supermarket owner from Syracuse, New York, who died the day before the jury reached its verdict. The New York State Supreme Court has since upheld the award, declaring that, even were it uncollectable, its magnitude would deter others from similar offences. In 1955 *Aware* accused Mr Faulk of having entertained at "communist front" events. Mr Johnson was said to have distributed the bulletin to advertisers and to have ordered his supermarkets to bar any products sponsored on Mr Faulk's shows.

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THE BUSINESS WORLD

Air Fares Going Up

FROM OUR SPECIAL CORRESPONDENT IN DUBLIN

THE world's major airlines have just ended the most critical meeting in the history of the International Air Transport Association in a mood as grey and chill as the Dublin weather. They arrived to a clear warning from this year's president, the general manager of Aer Lingus, that unless the worldwide wave of under-the-counter fare cutting was stopped, IATA might cease to exist and "I may not be talking to you at all next year." They broke up with a feeling that fare increases were inevitable and unavoidable—perhaps up to 15 per cent across world routes as a whole, but as much as 20 to 25 per cent on certain routes. The business of arguing these increases in detail starts in Arizona later this month—against the predictable last-ditch opposition of lines such as Pan American.

Is this the way to fill empty seats? Is it the way to encourage more people to fly, when many previous newcomers to the air have been enjoying discounts of up to 30 per cent on the face value of their tickets? The permanent officials of IATA would probably say it is not. For the second year running, Sir William Hildred, the director-general, reminded airlines that the way to stimulate traffic was by low, low fares. But after the worst financial results on record, entailing a probable total loss of £50 million, airlines are in no mood to take the long view. They are less worried, if one can use such a phrase, by their empty seats than by their empty exchequers. Something, they feel, must be done to increase revenues—and done quickly. The only sure means they can think of is to raise fares. Airlines do not need their critics to remind them that while the phenomenal growth in air traffic since the war has been based on judiciously timed fare cuts at intervals of three to five years, the industry's own abysmal ignorance of its market means that the outcome of any cut in fares is wholly unpredictable. A cut will certainly increase traffic, but will this be big enough to offset the loss in revenue per passenger carried? No one knows, and in their present plight, the airlines are in no mood to take chances.

The mess in which they find themselves is not so very new. Airlines have been accused of buying too many jets as if managements blithely shopped around for aircraft at £3 million apiece without giving the matter a little careful thought beforehand. Aviation is possibly the worst managed of modern industries but it is still not as badly managed as that. But it is suffering from the rapid pace of development in aircraft design. Aircraft costs go down as size goes up and the huge power of the jet's engine has made it possible for manufac-

turers virtually to double the number of seats in a single machine, with dramatic results. But an indirect consequence is that many a medium-sized airline wanting to maintain, say, a minimum service of one flight a day across the north Atlantic, finds itself obliged to buy a great many more seats than it really needs. Where by happy chance the capacity of the jets happens more or less to match their traffic, the airlines do very well indeed, as the north Atlantic experience of even such small operators as Aer Lingus and El Al will testify. But in far too many cases, airlines find themselves with equipment much too big for them, and this begins to create a pool of surplus capacity that hits not only them but every other airline on the same route.

The cold truth is that many airlines are too small, and will always be too small for the big jet business. The trend was at work long before the jets came, but by doubling the size and cost of equipment overnight, the jets have rocked aviation to its foundations. If the next generation of jet airliners are supersonic, as they well might be, only the biggest airlines will be able to buy them. Hence the long and anguished debates that have taken place in Dublin this week about the economics of supersonic jets—although the delegates were perfectly aware that you cannot really discuss the non-existent economics of a non-existent aircraft.

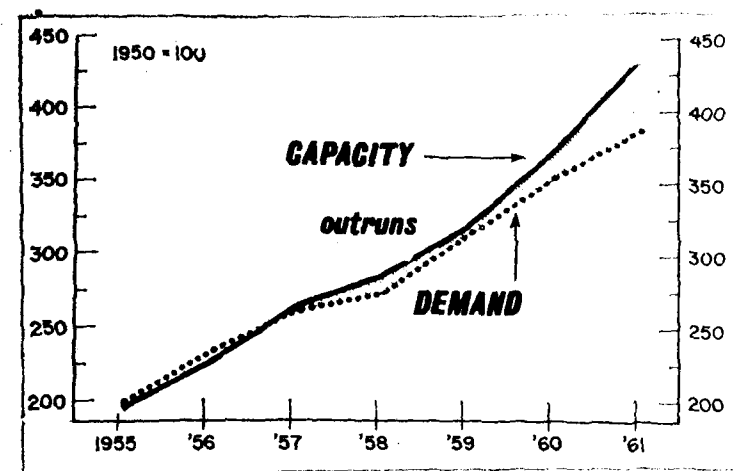
IN his report on the state of aviation, Sir William Hildred tried to re-assure the airlines that the worst was over, but they were in no mood to listen to him. He pointed out that most of the jets on order will have been delivered by the end of this year, so that the number of seats will remain more or less fixed until the next big round of re-equipment. He explained, with considerable eloquence and an impressive array of statistical evidence, that the industry was in nothing like so bad a state as it thought it was. He pointed out that where losses had been made, and where traffic growth had slowed down, was in the domestic traffic and not in international traffic. International traffic was actually growing at close to the ordinary (or extraordinary) rate of 15 per cent a year which has been the average since the war. This means that the brunt of the losses was incurred inside the United States, and it is interesting in this context to note that in this country, British European Airways made a profit on its international services but a £2.7 million loss on its domestic routes, where it has been cutting fares to compete with British

Railways. Will Dr Beeching find one load lifted off his shoulders by sharp future rises in Britain's internal air fares?

If Sir William thought by this to allay the panic that seems to have gripped some of the big international airlines, he was mistaken. During the past two years, but especially during this last summer, one international airline after another appears to have decided that any revenue, however small, is better than an empty seat. Something amounting to a Dutch auction in air tickets appears to have developed. When governments agree to the establishment of air services between their two countries, it is invariably on the written understanding that both airlines will charge fares agreed by IATA. A scale of penalties, with a maximum fine of \$25,000, is laid down for any infringements detected by IATA, and price maintenance had in general been the rule in the air, with the exception of one or two regions where the tradition of bargaining is strong, such as the Middle East and South America. But under the pressure of empty seats and multi-million pound deficits, discipline among the airlines has begun to slip.

AIRCRAFT are flying on average half-empty, but no-one can guess how many of the passengers who occupy the remaining half of the seats have paid the normal fare. The average rate of discount appears to range between 20 and 30 per cent, but there are reports of passengers who fly to New York for the normal one-way fare, plus 10 dollars for the return leg of the trip, of passengers who appear in the returns as children qualifying for half-price tickets. The situation is exacerbated by jockeying for position among the potential member-airlines of Air Union in Europe. If and when Air Union comes into being, the share of the traffic allocated to each member will be decided by its past performance. Some European airlines are therefore sweeping the highways and by-ways for passengers whom they are prepared to carry at almost any price in order to increase their totals in this, the base year for Air Union calculations. (The ordinary innocent aloft may wish he ever felt the swish of their competitive brooms, but there are quite a number of cool customers who know how little they can fly away for.)

Fare-cutting does not appear to have hit London to the same extent as New York and the chairman of British Overseas Airways Corporation, who may find himself in the embarrassing position next month of announcing a loss of nearer £20 million than £15 million, electrified one of the preliminary meetings by producing evidence of cut-price



tickets bought by his agents on other airlines. (One airline that expected to be accused by Sir Matthew Slattery, but was not, is said to have had a similar collection of cut-price tickets on BOAC in its delegate's pocket.) Sir Matthew, and his stable companion Lord Douglas, had the meeting's general support only because airlines find that the process of fare-cutting has gone so far that they are laying themselves open to blackmail by passengers and travel agents, and what was begun as a lure to the marginal traveller is in some danger of becoming the standard fare. They are also alert to the Aer Lingus warning that IATA would cease to exist if its main function, the fixing and policing of fares, fell any further into disrepute. They all know that the alternative to IATA is fare fixing by Government negotiation, which would remove from the airlines the control of their own destinies.

But might not the airlines in fact reduce fares by 20 per cent or more, a move that would certainly cut the ground from beneath the discounters? Some airlines argue that this could and should be done, particularly if it were accompanied by a ban on charter flying which is tapping off an ever-increasing volume of traffic at fares between 50 and 70 per cent of normal. On purely statistical grounds, one would think that a fare cut on long-range jet services was certainly possible, for the big jets start to show profits on loads between 50 and 55 per cent at present fares. Efficient airlines could almost certainly show a profit on fares well below today's levels, provided that their loads could be relied on to improve sufficiently under the stimulus of cheaper tickets. But these are a regrettably small minority, as last year's financial results for the aviation business show. In spite of a world loss of £50 million before allowing for interest, some airlines broke even and a few actually made profits. Bearing in mind what Sir William Hildred said about the state of international, as opposed to domestic, air traffic, rather more should have made a profit than actually did so.

The key to the airlines' bad performance lies in the structure of the aviation business. Perhaps only 20 per cent of an airline's costs are under its own full control. Its product is sold at a fixed price which is agreed in advance for two years at a time (admittedly by the airlines' own cartel). The cost of aircraft, the rate of amortisation, the cost of fuel, and landing fees are beyond most individual lines' power to influence; and wages, which account for as much as half the total running costs, are set largely by very powerful craft unions. Rates of interest, which are playing a steadily increasing role in airline costs, are beyond the management's day-to-day control, although some succeed in financing new purchases much more cheaply than others. The most that the airline can try to control is the size of its staffs and the cost of administration. Here, European airlines tend on average to carry conspicuously more fat than American airlines.

LORD BRABAZON was loudly cheered by the meeting for the most cuttingly unkind and insulting speech made to the airline industry for years—just because he is Lord Brabazon and it amuses the airlines to treat him as a father figure. The same words from a younger and less honoured speaker might have penetrated further beneath the skin, particularly the acid comment that among airlines, "few give the impression of living in the red." Lord Brabazon's tilt at palatial airline

offices in expensive sites was followed up by members of the IATA secretariat who attacked the grandiose airports with their gilded knobs and marble staircases which airlines demanded of governments and for which they now object to paying. Carrying the argument nearer home, why does it take nearly three Englishmen to do the work of one American executive or one American pilot? No one has suggested that American air crews are over-worked.

Unless air passengers are resigned to fares going up rather than down, they should rise now in a body and demand two things. One is an overhaul of airline management and the other an overhaul of the fares structure. Airlines that consistently make a loss are abominably run and there is no reason

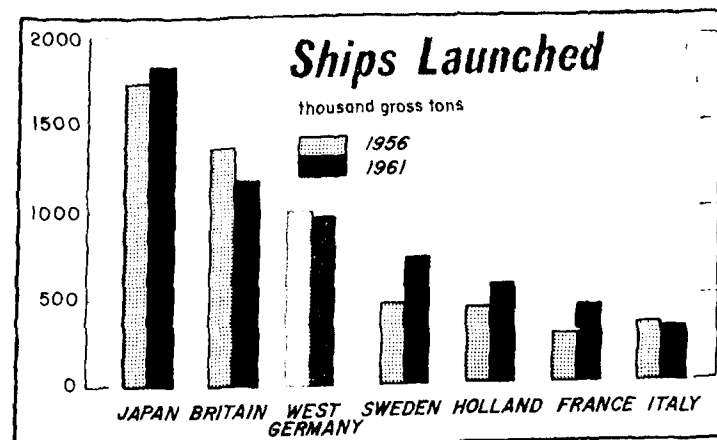
why the taxpayer here or in any other country should be expected to tolerate this. On rates, Sir William Hildred himself asked if fares for special groups were really the right way to get new travellers into the air. He could have said much more. Is it right, for example, to kill long distance first-class travel by charging twice the fare for 10 per cent more amenities? Might not lower first-class fares bring in more revenue and offset at least in part any fare cuts at the other end of the scale? Might not a little more market research and a little less striking of attitudes designed to impress other airlines teach operators something about their customers and their potential customers that they obviously do not know today? One can only ask.

Shadows over German Shipyards

FROM A CORRESPONDENT IN DÜSSELDORF

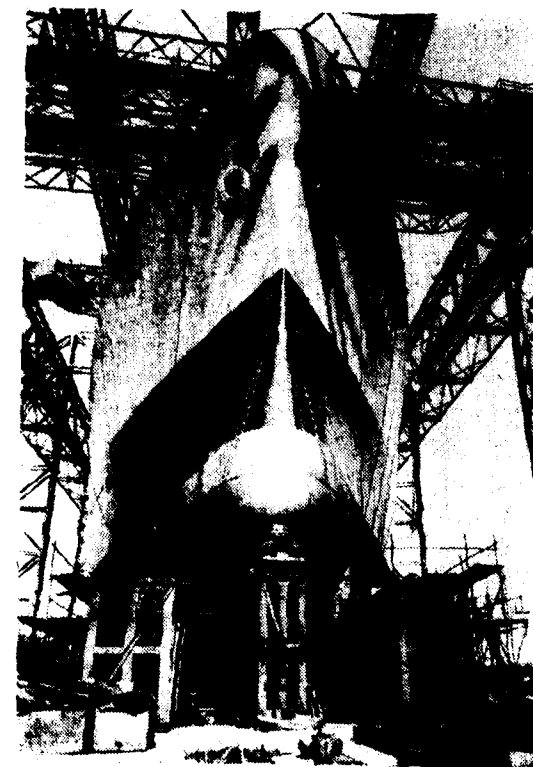
HERR WILLY SCHLIEKER, the self-made magnate of the German steel trade, steel production and shipbuilding, seems for the moment to have disappeared from German business. In spite of all the efforts of well-meaning business circles in Hamburg and elsewhere, it has been impossible to find new investors willing to invest capital in his big insolvent shipyard. Official bankruptcy had to be declared; the 3,500 men of his shipyard's labour force have begun to disperse; construction has practically stopped (all material being requisitioned by his suppliers and creditors) and the neighbouring Blohm & Voss yard will finish the ships which Schlieker was building on American orders. Inevitably, the Schlieker case has revived uncertainties about the general situation of German shipbuilding industry. Was Schlieker only a special case? Or is his plight a symptom of some underlying crisis awaiting the whole German shipbuilding industry?

Complaints from German shipbuilders are not new. They began in 1961, when on top of a general slackening of the shipbuilding boom of the fifties came the revaluation of the D-Mark. The effects of this revaluation have been a topic of discussion in German industrial circles ever since, but there is no doubt that shipbuilding and shipping have been the great losers. These were the two branches of German industry in which international competition was sharpest, and their tenders were already based on very small profit margins.



Immediately after revaluation orders from abroad began to slacken, and most foreign customers refused to go on accepting the D-Mark as a basis for calculation. Then the Federal Government intervened and granted the shipbuilders a credit ceiling of DM 400 million (about £35 million) at a cheap interest rate of 5 per cent, 1½ per cent below the normal German rate. This was meant to enable them to accept export orders that were not financed in advance (as had been usual in former years) even if these were not directly profitable. More and more often, orders began to be accepted that were 10 to 20 per cent below the level of the shipyards' own costs. These were accepted to maintain stability of employment and to keep shipbuilders in business.

At the end of 1961, the financial state of the industry was, therefore, somewhat gloomy. Though the total turnover of the whole industry had risen from DM 2,593 million in 1960 to DM 2,705 million in 1961, turnover on ships built for export declined from DM 1,564 million in 1960 to DM 1,275 million in 1961, the lowest point since 1956. The number of ships built for export came down from 116 in 1960 to 101 in 1961 with a total tonnage of 705,000 tons gross, compared with 899,000 tons gross in 1960. Only higher orders on home



account staved off a major crisis. These rose from 93 ships in 1960 to 126 ships in 1961, and from 254,000 to 355,000 tons gross respectively. But the situation was further aggravated at the beginning of this year when wages rose by about 6 per cent and the working week came down to 42½ hours, effectively increasing wages still further. The result was an increase in the wage charges in German yards of 10½ per cent, while in competing countries wages rose mostly in the order of only 3 to 5 per cent.

From the beginning of this year, German orders began to slacken, because depressed freight-rates and the tighter financial situation prevented many shipping companies from replacing or renewing their fleets. In the period from May 1, 1961, to April 30, 1962, new orders were little more than half the rate of deliveries. It was natural that under these circumstances this shipbuilding industry should compare these conditions with the conditions it believes exist abroad; what shipbuilder anywhere does not? German shipbuilders complain that many of their competitors are subsidised in some form or other, directly or indirectly, by their governments.

Though the Rome treaty requires that shipbuilding subsidies be gradually abolished, this principle has been ignored in practice. German shipbuilders argue that in Italy subsidies seem even to have been raised in the past year. In France they appeared in the budget for 1962 at the equivalent of £21 million. The Germans argue that this means that in Italy up to 27 per cent of building costs are borne by the government, while in France the average building subsidy works out at 23 per cent, and in special cases up to 35 per cent. On top of it all the French turnover-tax paid on export business is refunded to the shipbuilders, while in Germany, out of the 7-7½ per cent turnover-tax in the total costs of a new ship only 3 per cent is refunded. Outside the EEC, too, there are a good many indirect aids for shipbuilders. Japan, the world's biggest shipbuilding country, has no turnover-tax, and 80 per cent of the export profit or 5 per cent of export turnover can be deducted from company tax. In addition, the shipbuilding firms can convert 35 per cent of their annual profit tax-free into capital reserves. The Japanese Export-Import Bank gives credits to the shipbuilders at rates

of 4-5 per cent, about half of normal interest rates there. Recently in Argentina, German tenders were 37.4 per cent higher than the Japanese. The United States, hampered by exceedingly high wage rates, gives subsidies to American firms placing orders in the American shipyards of up to 50 per cent of the building costs. Great Britain has no turnover-tax, to refund or not, and provides cheaper industrial credits than do the German financial institutions, while its shipowners get a bigger tax relief on investment than the rest of industry: from Hamburg, this looks as much like subsidy as some German practices often have looked from the Clyde. The Scandinavian countries, again, provide cheaper credits for their shipbuilders and generous income-tax allowances.

If one takes the year 1956 as 100, German tonnage launched in 1961 stood at 97 and Italian at 92, while French shipbuilding rose to 150; Britain's output index, on that basis, would be 86. However, if one compares the tonnage of ships under construction, Germany has (at July 1, 1962) maintained its third place with 936,000 tons gross, behind Japan with 1,491,000 tons and Great Britain with 1,292,000 tons. Close behind come Sweden with 773,000, France with 674,000, the Netherlands with 636,000, and Italy with 604,000. The United States has only 445,000 tons of ships building and Poland, the biggest shipbuilding country of the Eastern block, has 346,000 tons.

It is not so much their present circumstances that are worrying German shipbuilders as the general trend. In the years of a seemingly boundless shipping boom all the German yards expanded their capacity; now they are determined at all costs to maintain the national capacity intact. Competition not only in shipbuilding, but also on the shipping market itself, has become stiffer, and the bigger and faster ships are mostly the better placed in the race. This involves the necessity for re-equipment and further aggravates the financial position of shipbuilders in general. And German builders, having lost their room to manoeuvre as a result of rising wage costs, and alarmed by the Schlieker failure, feel the pinch of the situation even more sharply than some yards elsewhere—though they naturally claim that Schlieker was a special case in many respects and is not the beginning of a general catastrophe.

BUSINESS NOTES

MAUDLING PLAN

Snub from Paris

POLITE indifference is all Mr Maudling can expect from the French delegation for the proposals he intends to present at the meeting of the International Monetary Fund next week. "All is for the best in the best of monetary worlds . . . or very nearly"—that will be the approximate position taken up by M. Giscard d'Estaing, France's minister of finance. The position is an inoffensive one only in appearance: the

French intend to use it in order to bury quietly the proposals attributed to Mr Maudling for the creation of an eventual pool of reserves. In order to be quite sure of not having to reply in precise terms to British suggestions, the French minister of finance will take the floor on Wednesday before his English colleague—and will then return forthwith to Paris. He will leave in his place M. Calvet, deputy governor of the Bank of France, whose functions do not in

any way authorise him to take a position in the name of the French government.

The French attitude is founded on two basic propositions. The first is that, contrary to Mr Maudling, official circles in Paris do not see any problem of international liquidity in the medium term, and perhaps not even in the long term. Secondly, they consider that if such a problem did nevertheless emerge, there would be plenty of time to find a solution. In the meantime, the agreement made last year at Vienna and sealed in Paris provides the means to meet difficulties if they present themselves: the equivalent of \$6 billion could theoretically be put at the disposal of

the IMF by the ten signatories of the agreement. The French wish has been throughout that this eventuality will never come about. In this respect, the improvement in the balance of payments in the United States and in Britain has been viewed with much satisfaction in Paris.

Doubtless, French financial circles, through national pride, somewhat exaggerate the virtues of the agreement of last December, in the settlement of which M. Baumgartner (the previous minister of finance) took a prominent part. But in Paris the restrictive clauses placed on the calling up of the famous \$6 billion are seen as having a constructive role, despite the criticisms: they offer some remedial virtues to the eventual borrowing governments, preventing them from succumbing to a monetary *laissez-allier*.

Besides displaying this rather hostile reserve, what will the French say in Washington? They will undoubtedly encourage the reference of Mr Maudling's proposals to the experts, for study by the IMF. It is also expected that M. Giscard d'Estaing will show himself favourable to the idea of increasing the resources of the International Development Association, but remain more discreet about the dates and the means that have his preference. Finally, it may be that on this subject the French minister of finance will revive the idea, thrown out in 1955 by one of his predecessors, of an aid plan in which the contributions by western countries would be proportional to their resources. The minimum percentage of one per cent of national income can be put forward the more easily by France since, as computed in Paris, its existing aid for under-developed countries already amounts to 2½ per cent of its national income.

What Support Elsewhere?

REACTIONS of other Continental countries to British proposals for wide ranging reforms are unlikely to be as sharply antagonistic as the French, but, as in Vienna last year, it will probably be on this complacent side of the fence that France's common market partners are likely to come down. Reports from Frankfurt suggest that the German delegation will have little sympathy with arguments predicated on a shortage of international liquidity, and will point rather to the recent lessening of the imbalance between Britain and America on the one hand and Continental Europe as an indication of the adequacy of the existing system. The Americans themselves seem likely to rest on the small piecemeal innovations they have been developing over the past year or so. Mr. Robert Roosa, under-secretary of the US Treasury, this week spoke of these co-operative arrangements as "the most comprehensive restructuring of international liquidity arrangements" since the IMF was founded, and referred to further impressive acts of co-operation yet to be revealed.

The improvement in the balance of payments between the main industrialised countries is also strongly stressed by Dr Per Jacobsson, managing director of the Fund, who has for some months been pointing to the "natural" forces making for equilibrium through a sharp relative upward movement in prices and costs on the Continent in relation to the United States—and is now sensibly advising the United States to be less edgy about its gold losses. But Dr Jacobsson is not given to complacency, and he may be expected to play his part in stirring up the conservative continentals. In an eve of conference address to the Advertising Club of Washington, Mr Jacobsson is reported to have said that deflation may have become as great a danger to the world as inflation was a few years ago; and specifically, that financial policies should now attempt to prevent declines in commodity prices "of a deflationary character." This, Dr Jacobsson intimated, would be one of the main themes of the meetings. The other will be this big question of easing the strains on the reserve currencies, in which Mr Maudling and Mr Roosa have evidently a much more active interest than the audience they are appealing to.

Meanwhile Mr Maudling sets off with a somewhat muffled supporting call from his own central bank. The September issue of the Bank of England *Quarterly Bulletin* notes the present economic contrast between the problem of under-employment in North America and the growing problem of rising costs in Europe. This contrast itself "suggests that the main payments disequilibrium is on the way to solution." At the same time, the Bank recognises that if Europe tries to attack its cost problem by restricting demand, this will make it more difficult for America to end its under-employment; and that the result may be "some approaching restraint upon the growth of world trade, at a peculiarly inopportune time for the United Kingdom." So what is the way out? The tortuous concluding sentence is a rather sorry reflection of the highest common factor of agreement between Threadneedle Street and Whitehall:

It is the task of international economic co-operation, highly developed as it is, to minimise any adverse change in the growth of world trade; and if this task were made too difficult by doubts about the adequacy of exchange reserves and international credit facilities, it would be for international discussions to resolve them. Would be—or is?

EXCHANGES

Two Strong Dollars

THE exchange markets have this year maintained their calm until the very eve of the IMF meeting. For a moment on Tuesday it looked as though last-minute nerves might be developing, as there was a sudden increase in demand for gold on the London market and the price rose to \$35.13

an ounce. But this seems to have been attributable to a special order, for demand subsequently died down. On Wednesday indeed the dollar staged a notable advance against all currencies. It recovered to 4.3210 against the Swiss franc, rose back to parity against the mark, and nearly reached parity against sterling—the rate of \$2.80½, at which the Bank of England is believed to have provided some support, is the lowest rate for sterling for a year. The Bank of England now confirms that the inflow of private funds seems to have stopped "after May"; it shows that the fall in sterling balances of non-sterling countries in the second quarter was entirely attributable to official holdings, which were being drawn down largely for "ordinary trading transactions."

This week's further strengthening of the dollar was attributed in the London market to two main influences—Dr Jacobsson's speech telling the United States administration it could justifiably itself show more confidence in the dollar; and the passing by the House of Representatives of the bill allowing higher interest rates to be paid by banks in the United States on deposits of foreign official institutions—though still not of private holders. This bill must still pass the Senate.

The other strong currency of the moment is the Canadian dollar, which is being held down (at 92.86 US cents, just above the parity of 92½ cents) only by continuing purchases of US dollars by the Bank of Canada. In August these purchases added US \$216 million to the reserves, bringing the total to \$2,330 million, and the total increase since the June low point to \$580 million, net of the large special credits. Canada has thus regained some three-fifths of the earlier drain of over \$900 million from the beginning of the year; in fact the true movements of funds in both directions were larger still, being partly disguised by official operations in the forward market. The clear recovery of market confidence encouraged the Bank of Canada to allow a guarded reduction from 6 to 5½ per cent in its Bank rate at the end of last week; but, despite the heavy reflux of exchange, Canadian financial circles still believe that the government has made arrangements for a loan in New York, of perhaps \$250 million, to repay part of the short term credits extended by the IMF, the Federal Reserve and the Bank of England. The rationale of such an operation is not easy to follow—and one wonders how it would be received by Mr Dillon.

OVERSEAS INVESTMENT

Quicker Returns

LAST July, Mr Lloyd added to the already great complexity of considerations that govern the size of remittances from profits earned overseas a call for consideration towards Britain's balance of payments. The overseas territories in which

these profits are earned have their own methods, formal and informal, of putting pressure on firms to reinvest a large part of these profits within their own borders. From figures for British subsidiaries operating overseas—excluding oil and insurance—published by the Board of Trade this week, it seems fairly clear that Mr Lloyd gained the ascendancy in the ensuing tug-of-war. Because of the economic setback in many areas, profits earned by these overseas subsidiaries declined by £6 million to £151 million. But dividends remitted to Britain increased by £5 million to £77 million, so that for the first time since a record of these transactions began to be compiled in 1958 the proportion of remittances exceeded 50 per cent of earnings.

The whole of the improvement in overseas earnings by subsidiaries of British com-

REMITTANCES BY BRITISH SUBSIDIARIES OVERSEAS*

	(£ mn.)				
	1958	1959	1960	1961	
Earnings	124	149	157	151	
Dividends remitted	50	56	72	77	
As percentage of profits	40	38	46	51	
Unremitted earnings	74	93	85	74	

REMITTANCES BY FOREIGN FIRMS FROM BRITAIN

	1958	1959	1960	1961
Earnings	85	125	125	122
Dividends remitted	41	49	58	82
As percentage of dividends	48	39	46	67
Unremitted earnings	44	76	67	40

* Excluding oil and insurance.

panies since 1958 has been remitted in dividends. Unremitted earnings in 1961 were £74 million—precisely their level in 1958—while dividends to parent companies have expanded from £50 million to £77 million. Although it is impossible to generalise about the causes of this shift in the balance between earnings and remittances, profits have been getting harder to earn in most countries, prospects for primary producers have been dimmed by the fall in commodity prices and investment throughout the free world is not being pursued with the vigour of earlier years. Direct investment by British firms overseas, including retained profits, contracted sharply last year from £239 million to £168 million, mainly because of a fall of £57 million in investment in the overseas sterling area.

Remittances from profits of overseas subsidiaries operating in the United Kingdom show the same trend towards repatriation of a greater proportion of profits. The earnings of foreign subsidiaries in Britain fell sharply last year, but remittances increased sharply. The reduced liquidity of many parent companies caused by the squeeze on profits has presumably increased the incentive to remit. This year overseas earnings by British companies have improved, but the continued depression in industrial profits in Britain reduced profits and dividends earned by foreign companies.

NEW FORD

The Cardinal Disrobed

News of the Ford Cardinal has been leaking out over the months and years more extensively even than is now usual in this decade of sales strip-tease; now it is revealed, under the lay title of Taunus 12M, as an unusually original design for an American company—even if it is to be made in Germany. The main features had become familiar enough—a V-four engine driving the front wheels of a car slightly bigger and a good deal more powerful than the Volkswagen, but otherwise intended to share that car's appeal—with its price of £476 only £31 above that of the VW de luxe in Germany and £23 above the Opel Kadet. The engine is almost the same capacity—1,183 cc to 1,192—and it also has a low enough compression ratio to allow it to run on commercial grade petrol; but it develops 50 bhp compared with 40 bhp for the VW. As the extra body space of the 12M means 200 lbs more weight (1,863 lb), the gain in acceleration is slight; but Ford claims a maximum speed of 78 mph, six mph faster than the VW. Again like the VW, the 12M is so high geared that its top speed can also be its cruising speed.

The advantages that the 12M has over the VW are no more than one would expect from a new design intended to match the unique appeal of a 25-year old; but they also bring it into the market at which the new generation of bigger British and French small cars is aimed—the Morris 1100 and the awaited Ford equivalent (which is not related to the 12M); the Renault R8 and the Simca 1000; to say nothing of the Opel Kadet. In export markets the Cardinal will be a formidable competitor and yet another factor pushing the export prices of British cars down to unprofitable levels. Having originally intended that the car should be sold in the United States as well as Europe but that some parts should be made only in Europe, Ford has tooled up for production on a massive scale in its new factory at Cologne, with the most modern production techniques, and it can only be on the expectation that output will be higher than that of any British small car that Ford can have set its price competitive with that of the VW.

But it is not only by tooling for high output that Ford has kept down costs; the design of the 12M shows many marks of ingenious simplicity. No engine fan is fitted, for example; but an interior heater is a standard fitting, and its electric fan is brought into use—exhausting on to the road on such occasions, not over the feet of the passengers—if the engine should overheat. This simplification saves the power needed to drive a fan and the noise it produces. Where most cars now have their clutch operated hydraulically, the Taunus uses a cable in a plastic sleeve; and the flywheel housing forms part of the final drive unit.

The springs are the simple leaf type, transverse for the independently sprung front wheels and half-elliptic with a rigid axle at the back. But weight saving has not been so rigorously followed as on some new models, perhaps because robustness was sought more than performance—and the designers may have thought that simplicity of line and structure would save more than attempts to reduce the amount of metal needed by employing complex structural forms. Now the Americans are in the European small car market, the 12M shows how hard the locals will have to try if they are to keep up—and locals include Volkswagen.

COTTON TEXTILES

Haven in the South

MILL closures in Lancashire are nothing out of the ordinary, though after the cotton industry's Government-assisted contraction, the rash of additional closures this year has been particularly dispiriting. Each closure is a tragedy of its own, but together they are just crosses along the hard trail that the industry has been forced to follow. Opening up mills abroad is no new departure for British cotton manufacturers either. English Sewing Cotton, Calico Printers, David Whitehead, and, less happily, Smith and Nephew among others have participated in what seems an inevitable drive towards self-sufficiency in textiles in many overseas markets. But this week, Cyril Lord, the carpet and textile manufacturing group, has linked its participation in a new mill in South Africa with the shutting down of two of its cotton mills in Lancashire—one of which is already out of production—and appears to have invited publicity for the move, which could not in any event have failed to cause a stir.

The threat of switching production to low cost areas abroad has already been used in the propaganda campaign waged by the industry against cheap imports. But the intended irony of the Cyril Lord move is that the company plans to pack up part of its British plant and to trek with some of its workers to the hospitable, protectionist climes of South Africa. State aid is said to be lavish and it must be a comforting thought that South Africa appears dedicated to the elimination of imports of textiles, in happy contrast with the lack of sympathy shown to the protectionist cause in Britain.

In partnership with the state sponsored Industrial Development Corporation, Cyril Lord intends to establish a £750,000 integrated plant for producing fine cotton fabrics at East London on the borders of the Bantustan African reserves, thus qualifying for special Government assistance. It is planned to have the new plant in production at the beginning of 1964 and to increase output eventually to 20 million yards of cloth and 800,000 lbs of yarn. South African imports of cotton piece goods amounted to about 180 million yards last year and imports of yarn to 6 million lbs.



STOCKHOLM'S EVENING RUSH-HOUR TRAFFIC SWIRLS ACROSS THE NORRBRO AND PAST ROYAL PALACE. AN IBM COMPUTER HELPS TRANSIT SYSTEM HANDLE PEAK FLOW.

To work and home again in Birger Jarl's city

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IN THE MARKETS

Autumnal Tints

THERE was a hint of autumn, a touch of frost in the air, in the references that Mr Per Jacobson and the quarterly bulletin of the Bank of England made about the course of world trade. Mr S. G. Warburg, the chairman of Mercury Securities, was even more explicit when he referred to a "salutary" downward trend of the trade cycle. But having evoked a spectre, he made it less frightening by defining it as "a period of squeezed profit margins in industry and trade with consequent repercussions on banking." The London market, though Wall Street was steadier, took the hint and, made increasingly cautious and anxious about the outcome of Britain's negotiations with the EEC by the Commonwealth Prime Ministers' conference, saw no reason to buy equities. *The Economist* indicator slipped back by 1.9 points to 326.6 and the *Financial Times* index by 2.3 points to 274.1 over the week to Wednesday's close.

These are not big movements but they are symptomatic of a lack of faith in equities in a market where buyers appear to be interested only in gilt-edged and other fixed interest securities. After some initial hesitancy, reflecting doubts about the speed at which interest rates would be allowed to fall, fresh buying pushed up gilt-edged prices, especially in the medium and short dated range, even though the market expects no change in monetary policy until after the end of the IMF meeting. Inevitably, this movement found its echo in higher premiums on recently issued corporation stocks. The Bank of England bulletin does not comment directly on the present state of the gilt-edged market; but the parallels which can be drawn between now and the experience of the market in the April-June quarter, when £187 million net of stocks was sold by the authorities (including £67 million to private investors, who were switching out of Treasury bills) are clear for all to see. Then, the issue of a new tranche of the 1986-89 stock slightly above the market price "could be, and was regarded as an indication that some continuing fall in long term rates would not be opposed." Does the Bank want investors to interpret the recent issue of a tranche of the 2008-12 stock, again above the market price and coming on top of a quarter of almost certainly bigger sales of stock than took place in April-June, in the same way?

STEEL

Restful August

STEEL production fell more than usual in August, as the industry made the most of the holiday season: with little sign of a recovery in demand, most plants shut down for a prolonged period of relaxa-

tion. Output was therefore 13 per cent less than in July and eight per cent lower than in August last year; and the effect of this long holiday makes it difficult to reach any very precise conclusions about the industry's position from the production figures. Use of the seasonal adjustment calculated by *The Economist* on the experience of past years suggests a sharp fall in production in August following an increase in July; but if the two months are taken together, one gets a weekly rate of 401,000 tons, little less than the adjusted figure for May and June. So the conclusion seems to be "little change."

The Iron and Steel Board estimates that output this year should be 20½ million tons, 1½ million tons less than last year; so far this year output has been at an annual rate of 20,338,000 tons, but the last quarter is usually a good period for demand. This rate represents, the Board states, the use of only 76 per cent of existing capacity; it adds: "This figure would of course be higher if the older and less efficient capacity, which, in the Board's view, it is no longer essential to retain had been eliminated more quickly." To have done so would no doubt have provided a more agreeable figure for the utilisation of capacity, but it is rather doubtful whether it would have improved the financial position of the companies. The saving on maintenance when plant is scrapped rather than just left idle is hardly big enough to make much difference; and when capital charges are taken into account, the old plant may often prove little more costly than the new. Where the biggest losses lie is in the new and costly plants that are ready for use but under-utilised.

The Board confirms its provisional

estimate that steel consumption in the second quarter was 7½ per cent less than a year earlier, and re-iterates the industry's view that a "firm recovery" in steel production next year depends on further measures to stimulate the economy.

CONSUMER PROTECTION

Whose?

"A STRUGGLING orphan . . ." was the verdict of the Moloney Committee on Consumer Protection on the British Standards Institution's "Shoppers' Guide." The committee saw no way of helping it nor a better home to consign it to; no alternative, in fact, to leaving it where it was. The sickly child seemed certain to waste away but, in true Dickensian fashion, kindly foster-fathers have been found at the last minute. Mr Labowitch and Mr Heseltine, owners of the Cornmarket Press which publishes the magazines "About Town" and "Topic," have reached an advanced stage of negotiations with the BSI for taking over "Shoppers' Guide" and injecting new life into it.

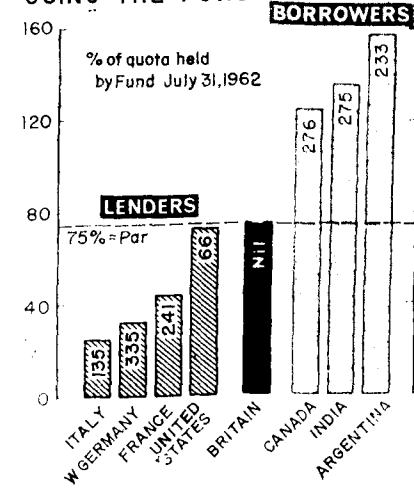
They say they hope to form a non-profit-making organisation, perhaps called Consumers' Advisory Trust Ltd, which would take over the running of the magazine. Editorial policy would be supervised by an editorial board consisting of 12 people: eight supplied from the BSI's Consumer Advisory Council, which presently runs the magazine, and four nominated by Mr Labowitch and Mr Heseltine, although subject to the BSI's approval. The present editor has been asked to continue in the job.

Washington Backcloth

Britain is back exactly to parity in its transactions with the International Monetary Fund, and continental Europe, as

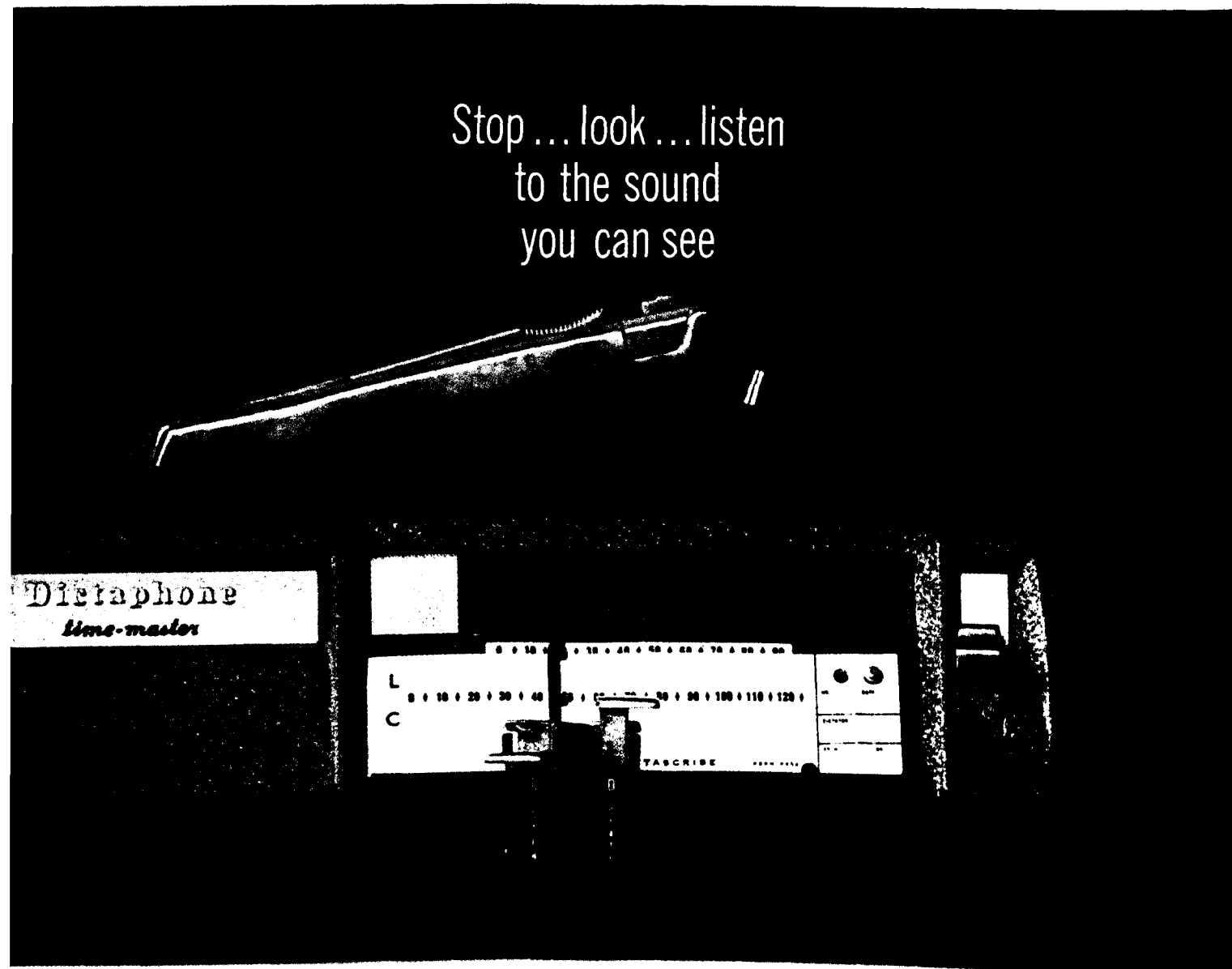
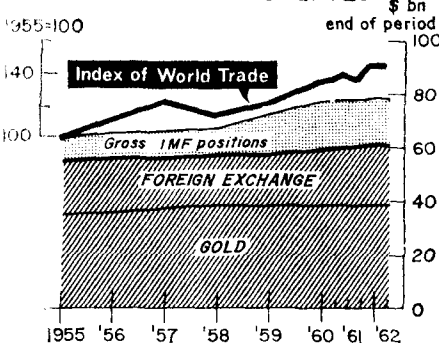
benefits its basic payments surplus, now bears the brunt of Fund lendings. But even counting in the expansion in IMF quotas—which over-states the true extension to world reserves—world liquidity has still been growing more slowly than world trade in recent years.

USING THE FUND

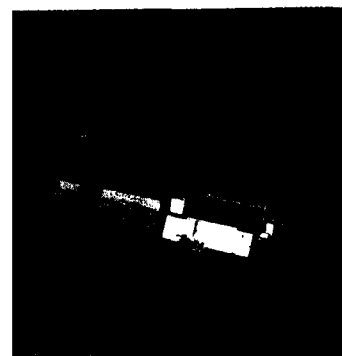


The figures in bars denote absolute size of net drawings on IMF, for borrowers, and net Fund sales of currency, for lenders, in \$ mn.

TRADE OUTSTRIPS RESERVES

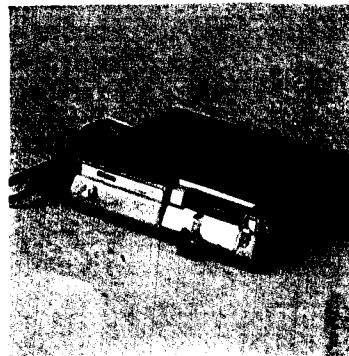


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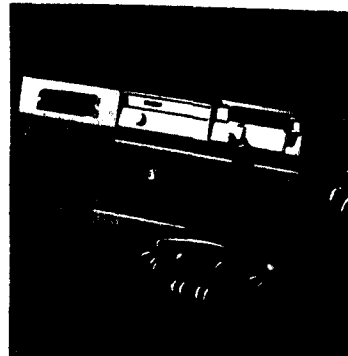
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DICTAPHONE

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Cornmarket Press would provide publishing services (including, presumably, push) for which it would receive a management fee. Just how its new owners would hope to widen the appeal and increase the subscriptions of the magazine is not said, but judging from the success the group has had with its own publications their ideas may be arresting.

The puzzle is, why? Mr Labowitch and Mr Heseltine have been extremely successful in enlisting the advertisers' support upon which their publications are mainly dependent. It is hard to see where a magazine from which they would draw no profits and whose *raison d'être* is primarily to cast a sceptical eye on the kind of claim that most advertisements make could fit into their scheme. A new "Shoppers' Guide" would presumably hope to offer the same sort of comparative testing as "Which?" does, but these are expensive: "Which?" spends £150,000 a year on testing alone. Do "Shoppers' Guide's" prospective backers intend to foot the bill for enlarging such activities, until readership can be built up sufficiently to wipe out the "Guide's" present deficit? Half a million pounds a year from the 320,000 subscribers of "Which?" points to quite a sizeable source of circulation revenue that might be tapped eventually, but to whose benefit?

ARGENTINA

Refinancing the Debt

PARIS now has two "clubs." The older and lesser known of the pair, which concerns itself with the financial problems of Argentina, has this week been meeting Senor Alsogaray, the Argentine Minister of Economy, in Paris to consider a further request for the rephasing of Argentina's debts to European creditors. After the main meeting on Wednesday Senor Alsogaray seemed optimistic on two counts. First that it would take Argentina only a year to eighteen months to solve its present financial problems—reserves are now down to \$750 million, equal to about six weeks' imports. And secondly, that Argentina was practically certain to get the co-operation for which it was asking, namely a debt moratorium covering a year to eighteen months. There are unconfirmed reports, however, that Senor Alsogaray originally asked for three years' relief.

This "Paris club" comprises the main west European countries and Japan; observers from the United States, Finland and the IMF also attended the meeting. The size of the amounts involved is, as always, uncertain, but reports from Paris suggest the discussions concern \$270 million of pre-1956 debts over \$1,000 million of post-1956 stabilisation debts, and certain medium-term debts due to European banks. The United States has let it be known that it is no longer prepared to put money into Latin America that is then used to repay European creditors. In future American policy will be to offer the Argentinians the same

BUSINESS NOTES

terms as to the Europeans. Argentina's total official foreign debt now amounts to \$2,620 million; of this \$384 million falls due in 1963, and \$460 million in 1964. Some \$545 million is owed to the United States and perhaps three times as much to West European countries. On top of this are large private debts. Recently the central bank announced that there were also \$284 million of private foreign debts due for repayment before June 30, 1963—\$85 million to the United States and \$172 million to Western Europe.

BUILDING SOCIETIES

How Revolutionary an Idea?

HAVING said that building society interest rates must come down and that his own society was giving serious consideration to a reduction in its own,

GERMANY

Where Euro-Dollars Are Held

Frankfurt

JUST at the time that the German financial authorities are becoming less anxious to encourage their commercial banks to put large funds in foreign short-term investments, they have released a mass of information about those investments—information that throws new light on the international money markets. At the end of 1958 the German banks, after an interval of more than 25 years, began once again to play a part on foreign money markets. This move was instigated by the Bundesbank which provided facilities for forward exchange cover. The aim was to neutralise the large exchange surpluses. Under the impetus of these measures, short-term foreign investments by German banks (assets with foreign banks, foreign money market paper and short-term credits granted to foreigners) rose to 7.3 billion D-marks by the end of February last.

At this point, in view of the trend which had meantime set in towards a return to balance in the Federal Republic's external finances, the Bundesbank changed tack. It no longer actively encouraged the outflow of short-term funds, and increased the cost of forward cover. At the same time it raised interest rates on the internal money market. This induced the banks to reduce their short-term foreign investments to DM 5.5 billion by the end of June, 1962. A detailed survey carried out by the Bundesbank and published in its August report now shows that some 865 million marks, that is 16 per cent of the total, was invested in Britain. Of this, 103 million marks was in the form of sterling, a similar sum in marks, and a small amount in Swiss francs. But the major share of the investments maintained in London was in Euro-dollars, at 650 million marks. This accounted for

THE ECONOMIST SEPTEMBER 15, 1962

Mr Lewis Cohen, the chairman of the Alliance Building Society, gave support this week to the idea, discussed in the columns last week, that the societies should in place of the "recommended" rate of the Building Societies Association be left more free to fix their own rates. He thought that the bigger societies should pay less to their depositors and charge less to their borrowers. The "recommended" rate of the association is not mandatory and not all member societies follow it. To dispense with it therefore might not even be so "revolutionary" an idea as Mr Cohen seems to think it is.

To try to counter the suggestion that societies should have greater freedom to compete in interest rates by the argument, put up by some commentators this week, that the demise of the "recommended" rate would destroy one of the prime purposes of the association, raises more questions than it answers. Is the association simply a cosily protective trade alliance?

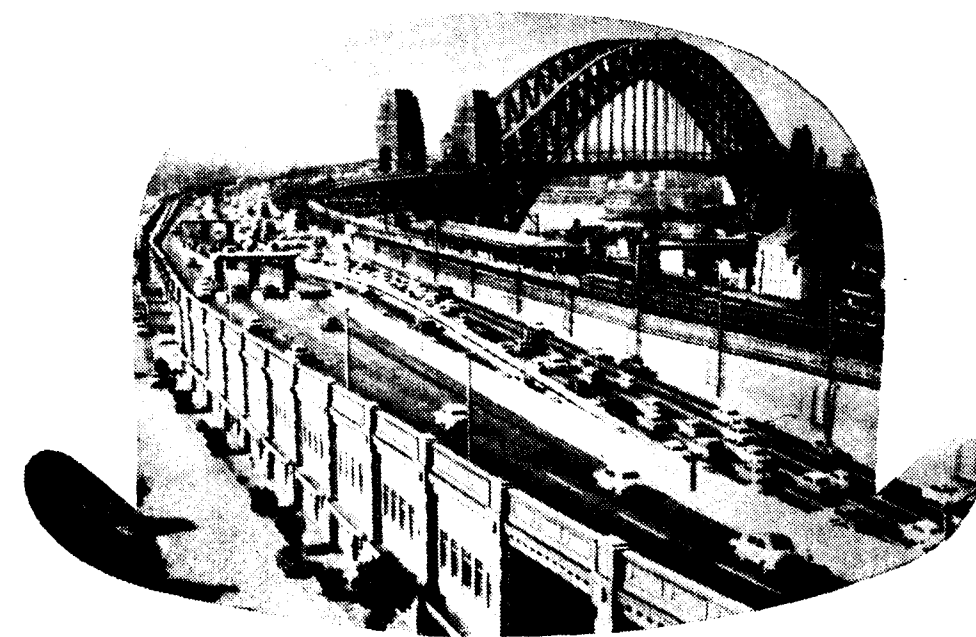
nearly half the entire amount of German Euro-dollar investments of some 1.4 billion marks. The other half was distributed mainly between France (267 million marks), Italy (238 million) and Belgium (91 million).

The short-term commitments of German banks in Britain, mainly in the form of short-term credits, amounted altogether to DM 774 million in mid-1962, somewhat below the corresponding figure for London assets. Of the liabilities, the equivalent of 27 million marks was in the form of sterling, 356 million in dollars, and 365 million in D-marks. Since the mid-year, short-term investments abroad have declined further; at present they are estimated to be no higher than 4 billion marks. A further decrease is expected, since the return flow of deposit money has not yet ceased but rather, since the beginning of August, has accelerated.

In the meantime the Bundesbank has made further adjustments to the altered circumstances of the German foreign exchange balance: it has decided to admit bills of German exporters for private discount as first class bank acceptances at Privatdiskont. This special institution, established a few years ago, has hitherto taken bills only for finance of import and transit transactions. Since interest rates on prime acceptances are lower than on bank credit, this in effect reduces the cost of short-term export finance. The German authorities, at least in the central bank, have for years been seeking to strengthen the passive rather than the active side of their balance of payments. Their latest step seems to signal the inception of an era of active encouragement to exports. Corresponding measures in the field of long-term export financing might well follow.

THE ECONOMIST SEPTEMBER 15, 1962

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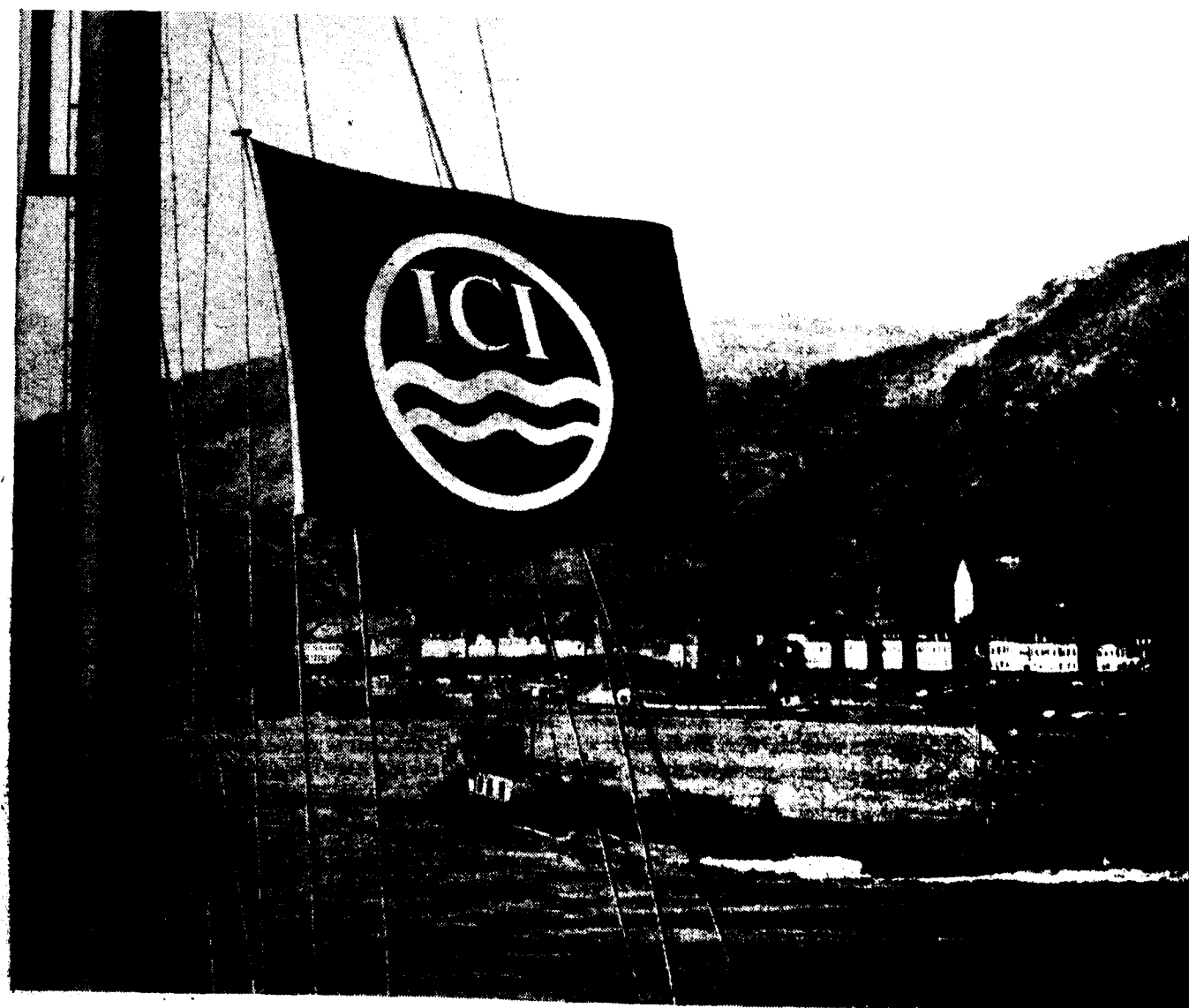
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English cargoes on the Rhine



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Here and there among the flags at the mastheads is one

bearing a symbol that is becoming more and more familiar to European industry—the I.C.I. trade mark. From I.C.I.'s petrochemical plants—the largest in Europe—cargoes are now finding their way across the North Sea and deep into the heart of Europe. In the years ahead these cargoes will be augmented by the products of new I.C.I. plants to be built near Rotterdam, at the mouth of the Rhine itself. In the petrochemicals sphere, as in so many others, from colour chemistry to crop-protection, the name I.C.I. has come to mean quality, service, experience.

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Or is it there to create mutual trust and confidence between the societies and their members? The association, in protecting the good name of building societies and putting the principles and methods of their operations before the public, has done much good work and there is still much for it to do. But in the end it could do more harm than good to itself and its members if it argues that its *raison d'être* is the "recommended" rate. How revolutionary would it be for the movement to brush the cobwebs away and let some fresh air blow in through the windows?

POLISH BACON

Fifty Years On

POLISH pigs first came to market in Britain fifty years ago, and last year bacon accounted for about 30 per cent of Poland's exports to this country. But the value of bacon exports has been contracting while Poland's total exports to Britain have risen steeply. In 1958, bacon accounted for over 40 per cent of trade with Poland, while in the first half of this year bacon's share has been cut to 25 per cent. Poland's quota for bacon exports to this country has been held at 48,500 tons for several years, and the decline in bacon prices has eroded its value. The price of bacon dropped to an extremely low level in the third quarter of 1961, recovered, then slumped again. In line with the general market movement, Polish bacon fell 12 per cent in price in the first half of the year and is now 220s. a cwt, precisely the same as the depressed price of a year earlier.

It must be irksome to Polish producers to know that if larger imports of Polish bacon were allowed, they would find a ready market in Britain. They were once the second biggest suppliers to this market and they are now the fourth. British pig producers would, in fact, like to see imports cut, though their pressure has been resisted. British farmers were warned in July by the Minister of Agriculture that they must either check the growth in the British pig population or accept cuts in pig subsidies. But, as happened with butter before all imports were subjected to quotas, exporters of bacon have become dissatisfied with the prices they obtain in the British market. But they have no alternative outlet; their production has been designed to satisfy British tastes. The Wiltshire cure has been adopted by these suppliers and the bacon industry in many countries, including Poland, was originally developed from British stock. But unlike butter, where British production is still relatively small, home produced bacon now accounts for more than one-third of total supplies. Home production in the first seven months of the year rose by 8 per cent. At the same time heavier shipments from Denmark raised imports by 5 per cent.

RUBBER

Softly, Softly

RUBBER has recently acquired another useful property that should help it resist pressure from the synthetic substitute—imperviousness to political shock. President Kennedy's request for powers to recall reservists to the colours made only a fleeting impression on rubber prices, as did the repeated crises over Berlin which preceded it. Spot supplies of RSS1, momentarily regained a level of 22d. a lb in London, but immediately slipped back a fraction of a penny to about the lowest point for this year. The price of rubber has now been low and stable for about a year; manufacturers who have in the past been disconcerted by the elasticity in rubber prices could hardly ask more.

This becalmed rubber market, however, understates the strength of recent demand for rubber. Although shipments of rubber from Malaya to Western Europe have lagged so far this year, exports to the United States, where production of tyres expanded by more than a fifth in the first half of the year compared with a year earlier, have helped to balance the decline. A further increase in exports to Russia raised total shipments in the first half of 1962 to a higher rate than in 1961. But a large part of American purchases bypasses the ordinary market and is forwarded direct from the packing stations of the big American manufacturers. Russia has also been buying more rubber in the East rather than through London.

This tilt in the pattern of purchases has helped to rob rubber markets of some of their customary bustle and vitality, but the persistent drag of stockpile releases that fill in gaps between production and consumption appear to have had a still more dispiriting effect. Consumers have let their stocks dwindle and cannot be persuaded by slight changes in the balance of the market to rush to rebuild them. Rubber fell below 23½d. a lb in May, and this price, under the revised rules for stockpile sales, has turned off the tap for ordinary releases. But physically deteriorating rubber has continued to be sold at a rate only 300 tons a month below the 1,000 tons level for British releases which is meant to apply in the price range 23½d. to 27d. a lb. The United States augmented its scheduled sales of stockpile rubber by earmarking extra supplies of rubber for foreign aid programmes from the beginning of July. In both July and August American disposals exceeded 5,000 tons.

But rubber has not weakened as sharply as might have been expected earlier this year. Stocks in producing countries have risen, but are not particularly high. The low level of exports from Malaya in August might be offset by the larger carryover of shipments into this month. Heavy rain in Malaya has hindered production, though the leeway will be made up later. So while

rubber is depressed in price the tone of the market is steady and forward supplies command a reasonable premium.

FORTE'S

Catering for the Public

FROM the moment that merger negotiations between Mecca and the catering organisation of Mr Charles Forte were broken off at the end of last year, the stock market reckoned that a public quotation for Forte's was a lively possibility. Now a public issue of preference and ordinary shares in the company is on its way. Two major obstacles stood in the way of a Mecca-Forte merger. The first was the difficulty in valuing the shares in Forte's, which is one of the biggest private companies in this country, and the second was the difficulty in reconciling the interests of major and controlling shareholders in the two companies. Having built up his empire from tiny beginnings by his own energy, Mr Charles Forte will naturally be reluctant to give up control, and this he can retain by offering only a minority of the ordinary shares for public subscription. But the public quotation of these shares will make it easier for him to raise new capital for any developments he has in mind and will provide a firm value for the shares either for estate duty purposes or for any future merger negotiations. If Mr Forte is so minded, the quotation will make it easier for him to consider the possibility of merging with another company of equal stature such as Mecca or of taking-over other, smaller concerns.

But as Mr Forte is believed to have plans for further expansion of his empire in mind, notably in motels, the primary object of this issue appears to be to secure greater access to the capital market. The prospectus will be studied with care, for though the names of the companies in which Forte's is interested are well known—Fullers, Slaters and Bodega, Café Royal, the Waldorf Hotel, Quality Inns, the "Talk

PAPER BULLETIN

analysing all sectors of the paper and board industry. Special features in Current issue:

The Common Market — 2

The trend of British paper output

Seasonal factors in the British paper industry

Regular market analyses and statistical data on production and trade in the main pulp and paper producing countries.

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of the Town" theatre-restaurant and so on—the size of the organisation and its record of growth in assets and profits are as much a matter of speculation as Mr Forte's own private fortune. The sponsors, Ocean Trust, can plan the issue in the knowledge that the general public is curious about the organisation and that investors are likely to be attracted by the magic of success which surrounds the man and the company. Forte's, in fact, has all the makings of a "glamour" stock—which is not always an unmixed blessing.

IDLE MONEY

From Mattress to Deposit

A SPECIAL article in the Bank of England bulletin discusses the withdrawal of the old (fatter) £1 note from circulation this year. When the announcement of withdrawal was made last February there were 253 million old £1 notes outstanding, and by mid-June some £210 million had been handed in. But of this total only £120 million were actually changed for the new notes; of the balance the Bank thinks that some £50 million went into the deposits of the clearing banks and £40 million was invested in various other ways, in particular in National Savings. So it has not taken much to bring cash hoards into bank tills. The clearing banks, having had their deposits boosted so effortlessly, must be eagerly awaiting the end of its partner the old 10s. note. The upshot of this was that the note issue actually fell by £20 million between mid-March and mid-June, against the expected seasonal increase of £50 million.

OIL DRILLING

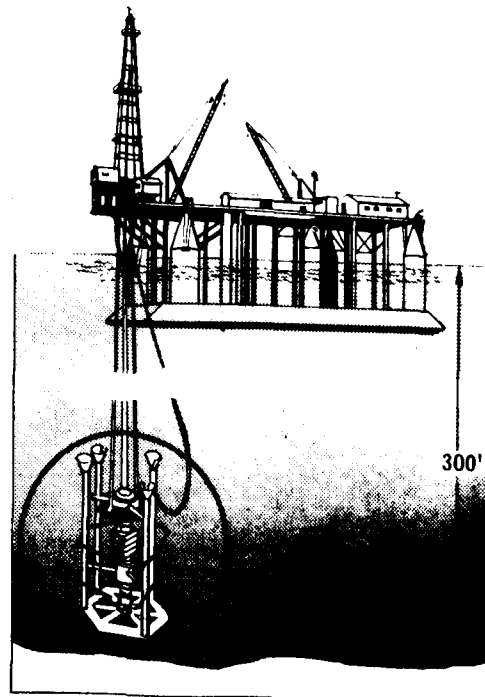
In the Depths

OFFSHORE drilling has become an increasingly popular exercise among the oil companies as all the more likely oil fields on land get thoroughly perforated; but the limitation of the conventional drilling platform is that it rests on legs on the seabed, with the drilling equipment mounted upon it, and so cannot operate in more than about 200 feet of water. Now, by placing the actual well head and much of its equipment on the seabed and controlling it remotely from a floating platform, Shell Oil and the Blue Water Drilling Corporation of New Orleans claim that they can drill wells in up to 600 feet of water and later perhaps 1,000 feet—with greater ability to withstand rough seas. So the open sea now becomes an oilfield. Four wells have been drilled in the Gulf of Mexico this year; the deepest was in 300 feet of water. During the winter the platform operated in waves up to 28 feet high.

The platform gains seaworthiness from having its buoyancy chamber 40 feet below the surface, where wave action is slight,

BUSINESS NOTES

while the platform itself rides high enough above water level to be well above the waves. The "bottles" at each corner can contain air or water in different proportions, automatically varied to maintain the



trim of the platform as loads change. But it is the underwater drilling equipment and its control apparatus that is most intriguing and must have taken most of the \$7 million that Shell has spent on development. The drilling derrick is mounted on the platform, with the pipe on which the bit is mounted running down to the well head on the sea floor: the flexibility of a long steel pipe takes up any movement of the platform. The well head carries two blow-out preventer units, hydraulically operated through a flexible hose from the platform, and there are two television cameras to let the operators see what is happening.

Setting up the equipment on the seabed without using divers is the most improbable part of the operation, and it is slower than starting a well from a conventional offshore platform. A single tube is first driven into the bed, and then a large hexagonal base plate carrying five vertical columns is locked on to it: the columns each carry a line that is used to guide a part of the control equipment to its place on the bottom. Meanwhile more holes are drilled and cement is poured down pipes to secure the base structure rigidly to the seabed. Then the blow-out preventers and the drill bit itself can be lowered, and once all is connected, drilling can start. Then the operators sit back and watch their television screens.

UNIT TRUSTS

A Good Summer

ALTHOUGH the holiday period usually coincides with a falling away in most forms of saving and investment and the behaviour of the stock markets has been un-

THE ECONOMIST SEPTEMBER 15, 1962

certain, net sales by the unit trusts for the June-August period have reached the good figure of £4,780,000 comparing with £672,000 and £1,148,000 for the corresponding periods in 1961 and 1960. Moreover, there were no block offers in the 1962 period, compared with three in each of the same periods in 1960 and 1961. There were, however, a number of block offers earlier in the year which helped to stimulate sales so that for the first eight months of 1962 the movement has attracted net saving of £19.7 million, against only £1.6 million in the same period last year. This steady growth seems likely to be maintained, for the favourable response of investors is now encouraging trusts to come out with further block offers. The Unicorn Trust has, for example, offered 1 million units at 6s. 9d. each to offer a yield of just under 4 per cent. The newest recruit to

RECORD OF GROWTH

Month	Net Saving 1961 £'000s.	1962 £'000s.	Total Value 1962 £ mn.
January	295	2,079	239.0
February	188	2,976	243.8
March	360	2,374	245.3
April	47	2,817	264.2
May	1,779	4,615	250.8
June	225	1,531	237.5
July	178	1,791	235.5
August	269	1,477	252.4
Total	1,561	19,660	

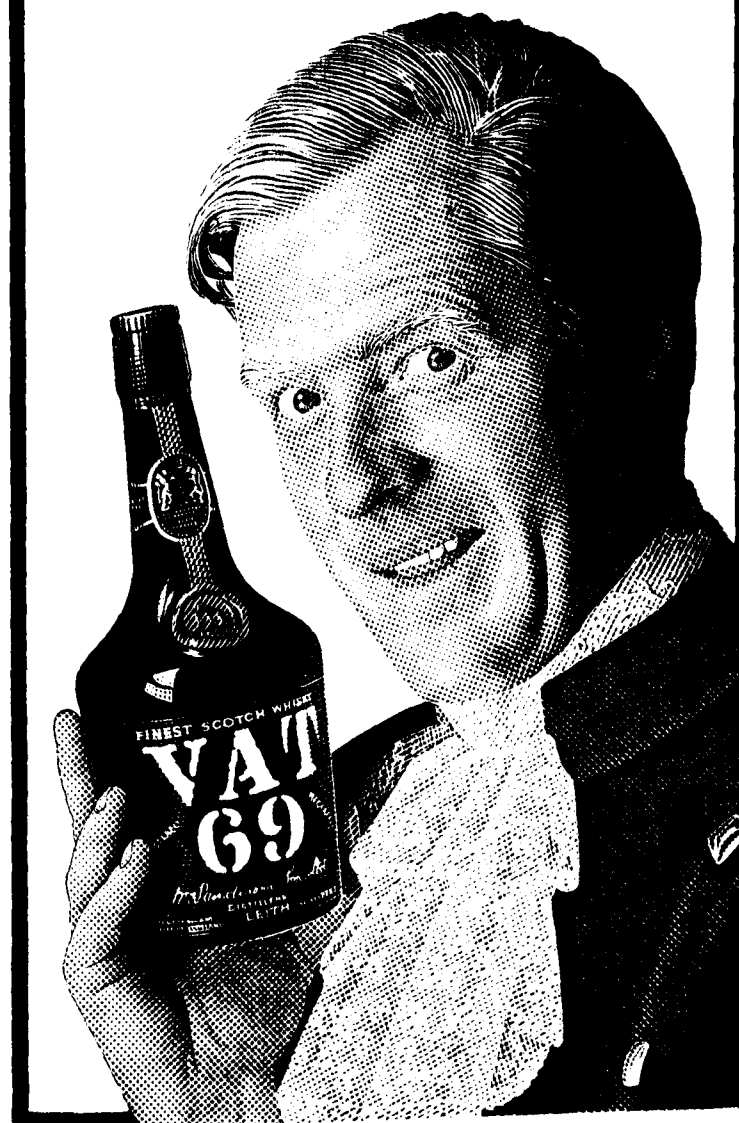
the Association of Unit Trust Managers, New Issue Unit Trust, is expected to make an initial offer of units later this month and there are several others in the pipeline. One of the most encouraging factors in the present growth of the movement has been the very sharp increase in the number of regular savers, who now number over 50,000 compared with just over 35,000 at the end of 1961. But savings by these investors still represent no more than about 7 per cent of the total inflow of funds to the movement. And perhaps a more important factor in the sharp rise in sales this year has paradoxically been the prevailing uncertainty in the stock market. This has made investors more aware of the advantages of expert management and the spreading of risks.

LOMBARD BANKING

Sea of Troubles

LOMBARD BANKING'S "smaller fleet of better ships"—the phrase used by Mr E. G. Spater last April to describe the reorganisation of the group—does not seem to have improved the company's performance. The interim dividend of this banking and hire purchase finance group has again been pruned, this time to 2½ per cent, following last year's cut in the interim from 9½ per cent to 5 per cent. The board makes little effort to explain from which quarter the rough weather continues to come, while the veiled forecast that the interim "should not be taken as any indication of the total for the year" leaves the poor shareholder facing both ways at once. Does this mean

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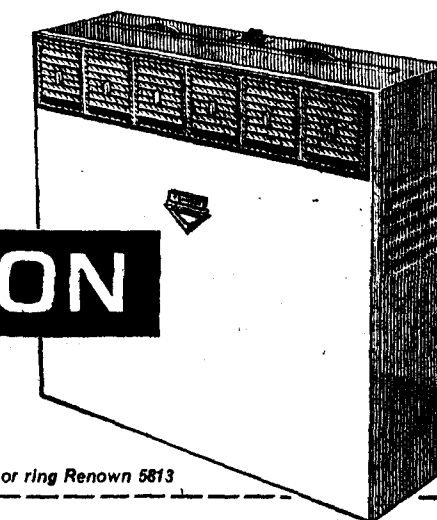
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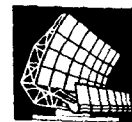
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that the final will be maintained or cut?

A company that has cut its dividend ought in fairness to shareholders give some indication of the trend in its affairs and the outlook for the future. The Lombard directors say that "the group is currently operating profitably." That at least is some relief, but "profitably" can mean anything from just beating the break-even point to the best year ever. Finally, "the board consider additional provisions are necessary in certain companies." This could mean the final winding-up of old bad debts or it could mean a batch of new ones. The board does not say which. The stock market had its own view, marking the shares down by 2s. to 10s. on Thursday.

POTATO CRISPS

Waiting for the Crunch

THE British are said to munch their way through £20 million-worth of potato crisps in a year (equal to 1,200,000,000 4d. packets), some two-thirds of which are consumed at the time of purchase at pub, pier or street corner. Believers in the further potentiality of this market, who are many, pin their faith on the forecast that crisp eating, like so many other social habits, will become increasingly based on the home—preferably as part of a meal, on the American pattern. This view has now encouraged Oxo to enter a market in which other recent challengers to the dominating Smiths' share (still believed to be more than half) include Imperial Tobacco, who last year acquired the Golden Wonder Crisp Company; the Sunpat-Marmite subsidiary Branded Foods launched in August; and the American Fryto-Ley, who sell \$160 million of crisps a year and last April bought a controlling share in the British firm Crimpy Crisp. Mars, too, now sell their own crisps in the north of England.

Smiths' sales went up by only 3 per cent last year but are still continuing to rise, with the help of £95,000 worth of television advertising in the first six months of this year and—so the company feels—a share of the helpful publicity attendant on the launching of rival brands. A fair slice of the market is, however, taken by unbranded crisps sold by chain stores: Meredith and Drew, for example, make them for Marks and Spencer. A Garfield Weston subsidiary, Walters Biscuits, makes potato puffs out of potato flour.

Two occupational headaches trouble crisp-makers—the perishability of their product and the fluctuating price of potatoes. Both are felt most acutely in July and August, the time of peak demand and of peak potato prices. Strange as it may seem, however, last year's record potato prices of up to £80 a ton may have had something to do with encouraging new manufacturers, for when potatoes are at their most expensive in the shops crisps are more likely to be used as a mealtime alternative.

BUSINESS NOTES

Smiths' elaborate and costly distribution system—still virtually the only nationwide one in the business—is geared to the fact that packets of crisps, even if stored in tins in the shop, only keep their quality for about a month. Packaging can improve this only partly, though Oxo makes a great point of the fact that its 6d. plastic coated packet can be displayed in the open without harm for about 6 weeks which should help the firm's heavy point-of-sale publicity and facilitate self-service. In favouring the product with Oxo the newcomer to the market is following Cristo, and other manufacturers who use their own flavours. Smiths, from the height of its 40 years' experience, prefers to regard flavoured crisps as a passing fashion, but does not mind admitting that its own cheese and onion variety is doing well.

MANAGEMENT COURSES

Aim in the Fog

UNCritical acceptance is the worst service that can be done to the cause of management training in this country. Nevertheless, to judge from a report published today by the Acton Society Trust*, it is too often the attitude of those who should be most exacting in their demands on it—namely, the firms who pay large fees to send members of their staff on management courses. Though in the United States several courses have closed through lack of support, in this country it seems that "any course whatever, no matter how extraordinary or expensive, will attract enough takers to keep it going." It is suggested, too, that the organisers of these courses are often insufficiently particular about whom they take, for fear of losing custom.

The report criticises industry for being far too vague about what it expects to gain from having its managers trained: firms talk in the general terms that are in fact the clichés of the management text books, about qualities like leadership and organising ability which, as the authors remark, could apply equally well to a bishop or a general. Many of the courses have only the most tenuous connections with industry (those run by management consultants being the notable exceptions) though in some fields the university courses benefit from their access to research. But only one course (presumably that of the Glacier Institute) is closely connected with research into management problems. The result is a great variation in the type of syllabus offered, with academic courses concentrating on subjects like economics and psychology and the consultants' syllabuses more on "tool" subjects such as work study and operational research. There is a shortage of properly qualified teachers in this type of technical subject, and this often leads to group discussions being preferred to lec-

* *Training Managers*, by Michael Argyle and Trevor Smith. 87 pp., price 10s. 6d.

tures. The most original and distinctive feature of management courses is their development of group techniques—though, as this study points out, in actual practice many more decisions are made by individuals than groups.

"What does a manager do that he can be trained to do better" is the \$64,000 question asked by the authors, though they do not go further towards a reply than to summarise the answers—mostly far too abstract to be of practical use—given by the standard pundits. They feel doubtful whether the answer, if given precisely, would be sufficiently the same for different types and sizes of firms to justify the existence of a general management course intended to suit everybody.

Yet another question is whether the improvement in efficiency when a polished-up manager returns from a course is sufficient and immediate enough to justify the expense. No follow-up from a fee-paying training course in this country has been published, but the evidence from abroad and from firms who run their own schemes is that there are proven results, such as a more analytical approach to problems and a better appreciation, at least for a time, of the effect of decisions on other people. Whether such transformations are worth 30 or 300 guineas is a managerial problem that some course might try to solve.

SHORTER NOTES

All bids were rejected for the first 200 tons of tin offered under the new disposal programme from the United States stockpile. All bids submitted were below prevailing market prices. Rejection of the bids caused a recovery in tin in world markets. The Singapore price rose £5½ a ton, and the London spot price gained £2½ to £855½ a ton.

The international cotton textile committee, which is responsible for the five-year scheme to regulate world trade in cotton manufactures due to come into force next month, has adjourned until September 26th without agreeing the size of the increase in import quotas for EEC countries.

The Board of Trade is considering an application for anti-dumping duties on the import of lithium hydroxide and lithium carbonate from the United States and west Germany.

COMPANY AFFAIRS

Comments on pages 1057 and 1060 on:
Bowater Paper General Electric
Rank Organisation Robinson Rentals
Dimplex Radio Rentals
Camp Bird

STOCK PRICES AND YIELDS

Stock prices, yields and security indices on pages 1058 and 1059

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 1061

MANNESMANN AKTIENGESellschaft

DÜSSELDORF, GERMANY

SLOWER PACE OF OUTPUT RISE: DIVERSIFICATION AN ASSET

LOWER PRICES, HIGHER COSTS PARTLY OFFSET

The Annual General Meeting of MANNESMANN AG was held in Düsseldorf on July 4, and the following are details of the report presented by the Board of Directors:

TURNOVER

During the year under review production continued to rise, although at a slower pace than during the preceding year. During the last quarter the downward trend in the economic cycle led to falling turnover figures for the year as a whole in some of the Company's sectors of activity, particularly in the steelworks and rolling mills. The situation in the mining sector deteriorated as well, while the tube mills maintained their position. The remaining processing works continued to develop favourably. Once again the Company's diversification proved an asset.

Total turnover of the MANNESMANN Group, including foreign subsidiaries, amounted to DM 4,619m. External sales rose by 1.7 per cent to DM 3,596m.

Total sales of the consolidated German MANNESMANN companies reached DM 4,113m., while sales to outside customers amounted to DM 3,225m. as against DM 3,174m. in 1960.

Export turnover fell by 0.9 per cent to DM 875m. as a result of lower prices. At the end of the first quarter export prices had to be cut by app. 5 per cent as a result of the revaluation of the D-Mark, and since May cheaper imports of thin sheet, electric sheet, zinc and lead-coated sheet, strip steel, wide strip and semi-finished goods had an adverse effect on the Company's prices of these products.

These price reductions could not be offset on the cost side. The drop in price for foreign ore of app. 5 per cent as a result of the currency revaluation was more than absorbed by higher prices demanded by the Company's suppliers. Moreover, wage increases led to a considerable rise in personnel expenditure.

Lower prices and higher costs could only partly be offset by the Company's long-term rationalisation measures. Despite the slightly higher turnover figures the earned profit for 1961 was therefore slightly below that for 1960.

DIVISIONS

The following are details of developments in the various sectors of the MANNESMANN Group:

A. Mining

Coal output at Essener Steinkohlenbergwerke AG was up by 2.1 per cent and reached 6,508,000 metric tons despite a fall in labour employed in the pits. In view of falling sales figures, coke production at the company's carbonisation plants including the central coking plant at Huckingen was reduced by 2.6 per cent and output amounted to 2,180,000 metric tons.

Pit-head stocks of coal and coke increased from 372,000 metric tons to 501,000 metric tons.

Output in the German MANNESMANN ore mines at 379,000 metric tons was slightly higher than in 1960. Eighty-five per cent of domestic production went to Huckingen steel works and

the remaining 15 per cent were sold to steelworks outside the Group.

B. Steelworks and Rolling Mills

Crude steel output in the Federal Republic fell by 1.9 per cent during the period under review. Production at the German MANNESMANN works fell by as little as 0.6 per cent and amounted to 2,354,000 metric tons. The Company's share of crude steel production in the Federal Republic rose from 6.9 per cent to 7 per cent. Output of open-hearth steel dropped by 7.7 per cent to 1,514,885 metric tons, while production of basic Bessemer steel rose by 2.9 per cent to 633,230 metric tons. Output of basic oxygen steel rose by 109 per cent to 97,046 metric tons and that of electric steel by 63.9 per cent to 108,344 metric tons. Production of rolled steel at 1,412,000 metric tons was 7.6 per cent lower than in the previous year.

No decisive changes occurred in the raw materials situation. Iron ore supplies again totalled 2.7m metric tons with a share of home-produced ore of 900,000 metric tons. The Company's own mines in Brazil produced 6.5 per cent of foreign ores. In order to safeguard continued supplies of iron ore, the Company acquired a 2 per cent interest in Wabush Mines, an international joint venture to exploit iron ore deposits in Labrador. First deliveries are expected in 1965/66.

C. Tube Plants

Production of steel tubes in the Federal Republic rose slightly to 2,349,000 metric tons during the year under review.

Tube production of the German MANNESMANN companies, i.e. of the plants of the Parent Company itself and of those of its German subsidiaries, including Röhrenwerke Bous/Saar GmbH, fell by 2.2 per cent to 952,000 metric tons. Output of seamless tubes dropped by 3 per cent to 631,000 metric tons and that of welded tubes of up to 318 mm diameter by 5.5 per cent to 157,000 metric tons. By contrast, production of welded large-diameter tubes rose by 4.9 per cent to 164,000 metric tons.

Including the MANNESMANN foreign subsidiaries in Canada, Brazil and Turkey, which produced altogether 136,000 metric tons of tubes, the overall Group total amounted to 1,088,000 metric tons against 1,110,000 metric tons during 1960.

Incoming orders for tubes and tubular products—excluding large-diameter tubes—at the Company's German subsidiaries at 770,000 metric tons were 11.3 per cent lower than during the previous year. The position in oilfield tubes continued to be unsatisfactory. The high order volume for precision steel tubes and alloyed tubes, production of which was further increased, dropped in the course of the year by about one third.

SUBSIDIARIES

A. Steel Processing

Röhrenwerke Bous/Saar GmbH, Bous/Saar. Output of seamless tubes remained at the level of last year. The new electric steelworks was taken into service in February, 1961, and its monthly output at present amounts to 4,500 metric tons.

Kronprinz AG, Solingen-Ohligs.

Output of seamless precision tubes, which had already increased considerably during 1960, once again rose by 10 per cent. By contrast, production of welded tubes dropped by 5 per cent. In the wheel sector the high production figures of the previous year were maintained. Production of hot strip, which had gone up considerably during 1960, fell to the level of 1959, mainly on account of reduced strip deliveries to the Company's tube plant in Turkey. The turnover level of the previous year was again reached. At the end of the year under review a 2,500-ton hydraulic tube extrusion press for the production of tube blanks for high alloy steel tubes was taken into service at the Immigrath works. A fully automatic continuous extrusion mill for passenger vehicle wheels came into service at the Ohligs works in the spring of 1962.

Kammerich-Werke AG, Brackwede.

Tube output was up by 32 per cent compared with the previous year, after capacities had been considerably expanded at the end of 1960. The company's turnover increased by 15 per cent. The volume of orders on hand, which had risen steeply as a result of insufficient capacities during the previous year, dropped but still guarantees adequate employment.

Grossrohrwerk Mannesmann-Hoesch GmbH, Duisburg.

Production and turnover in 1961 were still slightly above the previous year's figures, but the employment situation, particularly during the second half of the year, was unsatisfactory. As a result of new orders received, the year 1962 promises to be considerably more successful.

Mecano-Bundy GmbH, Heidelberg.

At 52m. metres tube production almost reached last year's level. By contrast, production of thermostats and vibration dampers, which had risen by 40 per cent during the previous year, fell by 25 per cent. The company's turnover, which had increased by 35 per cent in 1960, therefore dropped by 7 per cent.

Mannesmann-Stahlblechbau GmbH, Düsseldorf.

As a result of large scale deliveries of oil tanks and transport containers for liquified gases turnover rose by 18 per cent. In August, 1961, production of oil tanks was taken up in the newly built Wolnzach works in Bavaria.

Mannesmann-Rohrleitungsbau GmbH, Düsseldorf.

Turnover rose by app. 11 per cent compared with 1960. The first section of the 720 mile pipeline in Assam (India) in the laying of which the company is participating with a share of 50 per cent was finished in the spring of 1962. At the same time the water conduit from Derna to Tobruk in Libya was taken into service. The order book increased by 10 per cent and employment for a full year is guaranteed.

Tube and Boiler Head Mill of Hüttenwerk Huckingen.

The delivery in 1959 of a pressure vessel for the atomic power station at Kahl resulted in another substantial order for a reactor vessel. The British Atomic Energy Authority ordered a pressure vessel for the high temperature reactor "Dragon" at Winfrith which is to be built by EURATOM and the British Atomic Energy Commission in co-operation with a number of other

European countries. The very complex vessel, which is 60 feet long and weighs 65 tons, was delivered at the beginning of the year.

Mannesmann-Meyer AG, Mönchengladbach.

Turnover, which had risen by 44 per cent in 1960 as a result of the completion of the large-diameter tube plant in Rourkela (India), dropped by 14 per cent in 1961. Production performance corresponded to that of the previous year so that capacities were again fully utilised. Orders on hand, half of them originating from abroad, have risen by 7 per cent and guarantee full employment for a year.

Porsche-Diesel-Motorenbau GmbH,

Friedrichshafen/Lake Constance.

Production of tractors increased from 13,000 units in 1960 to 17,000 units in 1961. As a result of good sales figures of the newly developed tractor types *Standard Star* and *Standard T* the company's turnover increased by 42 per cent. The export ratio amounted to 29 per cent.

B. Coal Chemistry and Plastics

Ruhrchemie AG, Oberhausen-Holten.

The situation continued to improve in 1961 as a result of rigorous rationalisation measures, taking up new lines and full utilisation of capacities. While turnover for nitrogen and refinery products was slightly lower than during the previous year, that for oxo-alcohols and polyethylene was considerably higher. The plant for the production of polyethylene and the oxo works were further expanded.

Süd-West-Chemie GmbH, Neu-Ulm, Donau.

Turnover was slightly higher than in 1960. Good progress was made in the development of new moulding compounds and resins.

Mannesmann-Plastic GmbH, Düsseldorf.

The general slackening of sales of plastic tubes, in connection with considerable price losses, led to a downward development of production and turnover. While deliveries dropped only negligibly, turnover by value fell by 22 per cent after increasing by 64 per cent during the previous year.

C. Trade and Shipping

Turnover of the MANNESMANN tube and steel selling companies in Berlin, Düsseldorf, Frankfurt, Hamburg, Hanover, Munich and Nuremberg rose by 3.6 per cent during the year under review.

Mannesmann Export GmbH, Düsseldorf.

Turnover remained 9 per cent below the record figures reached in 1960. The tube business remained at the level of 1960 seen on an average for the whole year, but turnover figures fell towards the end of the year. Despite the general weakness of the market, turnover in rolled steel rose considerably. By contrast, in the case of steel sheet, last year's turnover figures were not reached, partly on account of the downward price trend. The company's order book was slightly down.

D. Foreign Activities

Mannesmann Tube Co. Ltd., Sault Ste. Marie/Ontario (Canada).

Production rose during the second half of 1961 and amounted to 75,400 short tons, a slightly higher figure than last year. As a result of increased demand the entire production could be sold and moreover stocks reduced to a normal level. The company's balance sheet for the year shows a profit.

Companhia Siderúrgica Mannesmann, Belo Horizonte (Brazil).

Crude steel production increased by 9 per cent to 122,300 metric tons during 1961, rolled steel

output was up by 5 per cent to 111,000 metric tons and tubes advanced by 22 per cent to 54,300 metric tons. In the spring of 1961 the second tube press and in the autumn of that year the third electric steel furnace were taken into service.

Companhia Siderúrgica São Caetano, São Paulo (Brazil).

Total output of the company's mill for rolling small sections of structural and high quality steel rose by 46 per cent to 23,000 metric tons after last year's increase of 50 per cent. Further modernisation of the works is under way.

Mannesmann Mineração S.A., Nova Lima (Brazil).

Apart from ore deliveries to the steelworks of Companhia Siderúrgica Mannesmann, 100,000 metric tons were shipped to the Huckingen steelworks during 1961. With a view to further

increased to 77,415 during 1961. This increase is mainly due to shorter working hours and the resulting need to recruit more labour in the Company's steelworks and tube mills. By contrast, employment figures in the mining sector continued to fall. Foreign labour increased to 3,940 which represents 5.1 per cent of MANNESMANN'S German employees. Employees abroad rose to 6,279.

PROFIT AND DIVIDEND

Net profit for the year amounted to DM 81,554,745.55 which, added to the balance of DM 928,029.43 brought forward from the previous year, produced a total of DM 82,482,774.98 available for distribution. It is accordingly proposed to distribute a dividend of 14 per cent, equivalent to DM 81,112,101.35,

The following table gives details of turnover and labour at MANNESMANN'S foreign subsidiaries during 1961:—

	North America	South America	Other foreign countries	Total
Total turnover (in DM '000).....	157,376	107,681	83,549	348,606
External sales (in DM '000).....	83,749	89,610	41,016	214,375
Labour force.....	543	4,710	1,026	6,279

increasing output, production is being further automated. In the spring of 1961 the company acquired a further ore deposit of 100 million metric tons.

Construções Tubulares Mannesmann S.A.; São Paulo (Brazil).

The company's production programme was further expanded by the inclusion of supporting frameworks and building-site hoists. Turnover remained unchanged compared with last year.

Mannesmann-Sümerbank Boru Endüstrisi T.A.S. Izmit (Turkey).

After the Turkish elections in October, 1961, the country's economy experienced a revival in the course of which the company was able to reduce its stocks to a desirable level. Annual production, which had amounted to 25,000 metric tons in 1960, only reached 13,000 metric tons and corresponded to the figure achieved in 1959. Sales reached a figure of 16,000 metric tons. The result was satisfactory.

During 1961 MANNESMANN AG acquired a 26 per cent holding in the share capital of 60m. Austrian Schillings of *Jeubacher Werke AG*, Jenbach, Tyrol, Austria. The company produces diesel compressors, diesel locomotives of all sizes and other diesel units from 10 to 3,000 HP.

PERSONNEL

The number of employees of MANNESMANN AG and its German subsidiaries

BOARD OF DIRECTORS (Vorstand)

Dr Hermann Winkhaus, Düsseldorf, Chairman; Hans J. Braune, Essen-Bredene; Dr Walther Eisenbraun, Düsseldorf; Heinz Hufnagel, Düsseldorf; Peter Keller, Hesel near Düsseldorf; Adolf Klein, Ratingen near Düsseldorf; Heinrich Müller, Kettwig/Ruhr; Ulrich Petersen, Düsseldorf; Günter Vogelsang, Düsseldorf.

BALANCE SHEET AS AT 31st DECEMBER, 1961 (SUMMARY)

LIABILITIES	1961		1960		ASSETS	1961		1960	
	DMm.	DMm.	DMm.	DMm.		DMm.	DMm.	DMm.	DMm.
Capital Stock.....	580	580	580	580	Fixed Assets including Assets in course of construction and Prepayments for capital additions.....	1,318	1,213		
Reserves.....	268	253	268	253	Investments and Interests in the nature of investments.....	342	306		
Welfare Funds.....	2	2	2	2	Other investments including long-term receivables.....	272	301		
Interests of Minority Stockholders.....	15	15	15	15					
Reserves for Special Purposes.....	150	156	150	156					
Adjustments.....	202	208	202	208					
Amount set aside towards the Capital Levy.....	60	60	60	60					
Other long-term provisions.....	305	301	305	301	Capital Assets.....	1,832	1,820		
Long-term liabilities.....	637	541	637	541	Stocks.....	595	554		
	2,219	2,116	2,219	2,116	Accounts receivable for goods supplied and services rendered.....	397	414		
Capital Liabilities.....					Other current Assets.....	250	191		
Accounts payable for goods received and services accepted.....	136	135	136	135					
Bills payable.....	178	179	178	179					
Other liabilities including provisions.....	559	467	559	467					
Net Profit.....	82	82	82	82					
	955	863	955	863	Current Assets.....	1,242	1,159		
	3,174	2,979	3,174	2,979					



Italian Airlines S.p.A.—Rome

CAPITAL LIT. 25,000,000,000

ANNUAL GENERAL MEETING

The Annual General Meeting of ALITALIA was held on June 26, 1962, at the Company's headquarters at 92 Viale Maresciallo Pilsudsky, Rome, Count Dr Nicolò Carandini taking the chair. The balance sheet at December 31, 1961, was adopted.

The Annual Report of the Board of Directors points out that for the international air transport industry as a whole, 1961 was a difficult year. This was due to the large increase in capacity offered which was not matched by a proportionate increase in the volume of traffic. It is against the background of this critical situation that the results achieved by ALITALIA assume an encouraging significance.

During 1961 the process of standardising the Company's fleet continued, and delivery was taken of three new DC-8 as well as six Caravelle jet aircraft. A further stage will be completed in 1962, and in fact, during the first few months of the current year, the remaining three DC-8s and the last four Caravelles were delivered on schedule. At the same time, steps have been taken to dispose of six DC-6Bs and six Convairs.

The following are details of the composition of the Company's fleet at December 31, 1960 and 1961, and as envisaged at December 31, 1962:

Type of Aircraft	1960	1961	1962
DC-8	4	7	10
Caravelle	4	10	14
Viscount	14	14	14
DC-7C	3	3	3
DC-7F	2	2	2
DC-6B—DC-6	11	5	—
DC-3	4	4	4
Convair	6	—	—
Total	48	45	47

This fleet enabled the Company to achieve the following output during the year under review:

The table also shows the 48 per cent increase in the number of seats offered, and the 39 per cent rise in the number of passengers carried. The volume of freight reflected an outstanding growth of 52.2 per cent, but the increase in ton/kilometres of freight carried at 82 per cent was even more substantial.

Table II covers increases in production

TABLE I.—SUMMARY OF OPERATIONS IN 1960 AND 1961			
	1960	1961	Increase %
Kilometres flown	37,629,333	43,390,444	+15.3
Flight hours	93,507	88,288	-5.6
Passengers	1,099,668	1,528,175	+39.0
Passengers	1,338,812,912	1,844,467,890	+39.3
Seat/km. offered	2,321,710,546	3,436,358,305	+48.0
Mail carried	3,984,889	4,311,548	+8.2
Mail carried	6,645,322	7,107,625	+6.9
Freight carried	12,062,241	18,349,615	+52.2
Freight carried	19,864,761	34,154,116	+72.0
Total ton/km. carried	148,575,063	211,866,343	+42.1
Total ton/km. offered on scheduled flights	267,389,880	413,193,618	+54.5
Total ton/km. offered including charter flights	271,593,434	417,769,783	+53.8
Passenger load factor	57.7	54.3	-5.9
Overall load factor	55.6	51.1	-8.1
Growth of network at Dec. 31, 1961	110,533	144,879	+31.1

and sales and demonstrates in figures the notable productive effort made by ALITALIA during the year.

has completed its training programme for flying personnel, and as many as 932 people have already attended 96 different courses. The

TABLE II.—INCREASE IN PRODUCTION AND SALES OVER PRECEDING YEARS

	Production (ton/km. offered)	Increase over preceding year %	Sales (ton/km. flown)	Increase over preceding year %
1956	45,917,954	22.5	25,542,164	23.7
1957	71,295,108	55.4	40,712,120	59.4
1958	157,306,037	121.4	82,332,759	102.2
1959	210,051,218	33.3	114,718,788	39.3
1960	267,389,880	27.2	148,575,063	29.5
1961	413,193,618	54.5	211,866,343	42.1

New routes were opened during 1961 to Dakar (new stage on the South American routes), Accra (Ghana), Lagos (Nigeria), Bangkok (Thailand), Darwin and Sydney (Australia). During the first few months of the current year the African routes were strengthened by a new service to Johannesburg via Leopoldville; services to the Far East were augmented by a new stop at Singapore and a new route which extends beyond Bangkok to Hong Kong and Tokyo; services to South America were increased by an extension to Santiago de Chile; and finally the North American route was supplemented by the extension to Chicago via Canada.

The Report thus reviews the efforts made in every sector of the Company's activities in order to achieve the results obtained. It also outlines the obstacles encountered, which were overcome by the united efforts of the staff, numbering 6,409 people at the end of the year, and records the Board's appreciation of these efforts.

In the engineering sector the organisational problems resulting from the transfer of the Company's services to Fiumicino airport, where the maintenance workshops have been installed, have been solved. Work has also begun at Fiumicino on two additional large hangars and on workshops to house the inspection services that are still at Ciampino.

In the operational sector attention was mainly paid to the training of flying personnel. The ALITALIA Training Centre inaugurated on June 7, 1961, and equipped with flight simulators for DC-8, Caravelle and Viscount aircraft,

building for the Catering Services is also about to be completed at Fiumicino; it will be one of the best equipped establishments of its kind.

The problems of over-capacity, as well as keener international competition and the growing difficulties involved in obtaining traffic rights, had to be faced in the commercial sector during the year. The Company's network of agencies abroad was considerably strengthened by the opening of new offices (Accra, Alexandria, Bangkok, Colombo, Dakar, Lagos, Lima, Madras, Melbourne, Sydney) and improved working arrangements in others.

A number of co-operation and pooling agreements was concluded during the year, and ALITALIA also pursued its negotiations with Air France, Lufthansa, and Sabena on setting up the Air Union organisation.

The Company's administrative services stood up to the growing pressure on them thanks also to the use of the IBM-7070 electronic computer. The organisation and individual fields of responsibility were further decentralised during the year, partly by the efficient application of the "control and balance" system.

The Safety Committee, set up to study and investigate the problems inherent in flight safety, continued to function during the year, and another committee was established recently to look into the health problems of flight and ground personnel.

June 8, 1961, marked the expiry date of the agreement concluded in 1946 between the Italian Government and the British BEA company. As from that date the latter terminated its holding in ALITALIA, and Lord Douglas of Kirtleside resigned as the Company's Deputy Chairman and member of the Board.

The Report, after outlining the extensive activities of S.A.M. (Società Aerea Mediterranea) and Elivie (Società Italiana Esercizio Elicotteri), its associated companies, goes on to illustrate the Company's economic progress.

Results on intercontinental routes were encouraging, and progress on international routes was even more satisfactory.

The operation of internal routes once again registered a particularly substantial loss, owing to excessively low fares, uneconomic working on certain routes, and the increases in airport charges.

Traffic returns, made up of foreign currency to the extent of 73.17 per cent, increased over the preceding years as shown in the following table:

GROSS TRAFFIC RETURNS

	1956	1957	1958	1959	1960	1961
In Lit. m.	8,134	12,986	26,138	35,033	44,481	59,275
Increase %	29.6	59.6	101.2	34.0	26.9	33.2

Expenses increased in proportion. Altogether the business results achieved in 1961 can be considered satisfactory, as operating results substantially balanced expenditure.

As a result of the very conservative policy previously followed by the Company in the field of fleet depreciation, and owing to favourable market conditions, the sale of DC-6B and Convair piston aircraft produced a surplus sufficient to cover the losses suffered in previous years.

The Report summarises the Profit & Loss Account for 1961 as follows:

Traffic returns	Lit. 59,275,253,361
Miscellaneous returns	" 3,324,317,863
Total returns	Lit. 62,599,571,224
Management and general expenses	" 54,178,270,413
Balance	Lit. 8,421,300,811
Depreciation	" 6,770,302,744
Profit	Lit. 1,650,998,067
Which at the Annual General Meeting it has been resolved to allocate as follows:	
— to cover the losses of previous years	" 1,644,246,730
Balance	Lit. 6,751,337
— to transfer to reserve	" 337,567
— to be carried forward	Lit. 6,413,770

Investments rose to approximately Lit. 33,000m. during the year. The "Fleet" account increased as a result of the purchase of the three DC-8s and six Caravelles previously mentioned, and decreased on the other hand by the appropriate amounts following the disposal of six DC-6Bs and six Convairs. "Depreciation" accordingly registered the decrease resulting from the reduction in investments effected during the year as well as the increase represented by the annual percentage in respect of the present fleet and other fixed assets.

The Report concludes by expressing its sincere appreciation of the help given to the Company during the year by the Ministries of Defence, Foreign Affairs, and State Holdings, as well as by other Public Authorities—and both administrative and financial bodies. Thanks are due especially to IRI which was as always generous with its help, advice and support.

After the adoption of the balance sheet the Annual General Meeting proceeded to nominate the new Board of Directors and the Auditors for the three-year period of 1962-1964.

At its meeting after the conclusion of the Annual General Meeting, the Board of Directors approved:

as Chairman: Count Dr Nicolò Carandini;
as Deputy Chairman: Gen. S. A. Aldo Urbani;
as members of the Executive Committee: Dr Ercole Agosta; Count Dr Nicolò Carandini;
Dr Franco Giazotto; Ing. Bruno Velani.

KENTAN GOLD AREAS LIMITED

The Annual General Meeting of Kentan Gold Areas Limited was held on September 11, 1962, at The Chartered Insurance Institute, EC2, Mr E. F. O. Gascoigne (Chairman) presiding.

Mr Gascoigne referred to the Board's intention to recommend to shareholders proposals for a merger with Rhodesia-Katanga Company Limited, subject to the capital reconstruction of that company becoming effective. Details of the proposals, which the Board considered to be greatly in the interests of shareholders, would be posted in due course.

He emphasised the dependence of the company on its interest in Tanganyika Concessions Limited and hence in the establishment of a satisfactory solution to the problem of Katanga and the Congo. In this connection the acceptance by Mr Adoula and President Tshombe of the United Nations plan for the reintegration of Katanga into the Congo was encouraging, but in the meantime it was impossible to hazard any forecast of the company's future earnings.

The consolidated accounts at March 31, 1962, showed a profit for the year of £136,778 and after bringing forward the previous year's balance, and allowing for adjustment of taxation of the previous year, a balance of £761,752 remained available for distribution. An interim dividend of 1s. 6d. per share (7½ per cent) had been paid on March 16, 1962, and it was proposed to recommend a final dividend of 1s. 0d. per share (5 per cent), making a total dividend for the year of 2s. 6d. (12½ per cent), as compared with 3s. 0d. (15 per cent) for the previous year.

The Report and Accounts were adopted.

AMALGAMATED ANTHRACITE HOLDINGS

MR P. E. HOLDEN'S STATEMENT

The thirty-eighth Annual General Meeting of Amalgamated Anthracite Holdings Limited was held on September 11th in London, Mr P. E. Holden, FCA, chairman, presiding.

The following are extracts from his circulated statement for the year ended December 31, 1961:

The trading profit totalled £1,171,000 compared with £1,025,000 in the previous year. The net profits available came out at £349,000 compared with £384,000 in 1960, and there is a taxation windfall of £73,000 which raises the available figure to £422,000 for 1961. The board are recommending a final dividend of 12 per cent, making a total of 18 per cent for the year.

1961 as a calendar year, was difficult for retail coal, but the overall results of the coal and transport sections of our business were slightly above those of the previous year, and hold out promise for 1962.

Our engineering companies, which are versatile, covering general engineering, chemical, electrical, and electronics, have produced overall a useful contribution.

Our substantial building supply interests had quite an active year and improved their results.

I hesitate to forecast a result for 1962 because of the width of our activities and the imponderables of the weather, and the Government's rather erratic economic policies. All I can say is that for the first six months of 1962 we are ahead of the same period in 1961 and unless we suffer some serious reversals which are not yet apparent, I feel 1962 will be a satisfactory year.

The report was adopted.

This announcement appears only as a matter of record.

September 11, 1962

\$5,000,000

Eurofima

European Company
for the Financing of Railroad Equipment

Promissory Note due 1967

This financing has been arranged privately in the United States by the undersigned.

Smith, Barney & Co.



THE UDDEHOLM GROUP

UDDEHOLMS AKTIEBOLAG, UDDEHOLM, SWEDEN

Extracts from a survey of the Company's activities as presented by the Board at the Annual General Meeting June 2nd, 1962

MAIN ACTIVITIES

UDDEHOLM is situated in the west of Sweden and its main activities are based on the natural resources of the region—iron ore, timber and water power. The business includes the production of iron and steel, hot-rolled and forged, cold-rolled and drawn; sponge iron; ferro-alloys; and tungsten carbides. Its finished metal products include hot-rolled, cold-rolled and drawn tubes; carriage springs and other springs; wire ropes, etc. Among its forestry products are sawn and planed timber; sulphate and sulphite pulps and by-products; paper and board. Electro-chemical products also feature in the Group's output.

The Company's main activities are centred on its own mines in Värmland: the steel works at Hagfors, Nykroppa and Degerfors; the cold rolling mills at Munkfors; the tube mills at Storfors; the wire rope plant at Blombacka; the saw mills, pulp mills, paper mill and chemical plants at Skoghall. UDDEHOLM also holds a majority interest in the Tuolluvaara mines in Lapland.

The sales organisation of UDDEHOLM comprises offices and service plants in leading cities of Europe and America: London, Birmingham, Paris, Brussels, Düsseldorf, Solingen, Stuttgart, Nuremberg, Copenhagen, New York, Cleveland, Los Angeles, Toronto, São Paulo and Rio de Janeiro. UDDEHOLM is also represented by agents in almost every country in the world.

REVIEW

There was a good demand throughout the year for the Company's products, but in view of increasing competition and the resulting price decrease, the future should be regarded with caution.

Output of iron and steel products increased by about 10 per cent. A slackening off in the pulp industry was evident throughout Sweden with decreased exports and price reductions. Following an agreement between the Scandinavian pulp manufacturers to reduce production, the sulphite factory at Skoghall was closed down in December.

On the other hand, production of sulphate pulp rose and paper production remained stable.

Capacity was fully utilised at the chemical plant at Skoghall, but prices dropped slightly. As in 1960, ample rain during the year was favourable for power supply.

IRON AND STEEL

Demand for UDDEHOLM steel products was very good in late 1960/early 1961, but during the year under review a slight decrease was noticeable, particularly towards the end of the year. This was first noticed on the markets for tubes, sheet and plate iron. Sales of stainless material, especially stainless steel sheets, also declined towards the end of the year following strong foreign competition, including Japan's entry into the European markets. On the other hand, the market for tool steel, cold-rolled drawn steel and cold-drawn material has

remained more stable and the number of orders received was virtually unchanged.

The Company expanded its production of steel products quite considerably during 1961 and output increased, in both quantity and value, by over 10 per cent. A new electro-steel furnace at the iron works at Hagfors came into production at the beginning of 1962 and production of tool steel and stainless steel rose as did production of semi-finished materials, intended for further treatment at the Concern's other mills. Production of stainless and acid resisting steel castings also increased. Output of cold-rolled strip and various kinds of drawn steel wire at the Munkfors steelworks increased by 15 per cent., and at Storfors, where production reached a record level despite personnel difficulties, the tube mills operated at full capacity throughout the year. Following rationalisation measures, production at the Persberg sponge iron works rose by 30 per cent.

FORESTRY AND FOREST INDUSTRIES

Deliveries to industry remained practically unchanged during the year under review, but deliveries from the Company's own forests decreased by about 2,118,900 cubic feet. Transport conditions were favourable during the first part of the felling season but deteriorated later, following long thaw periods starting early in the year. Rationalisation of forestry activities continued to include the construction of new forest roads. Favourable weather conditions facilitated the planting of ten million saplings during the year under review.

The Company was able to sell the planned quantity of wood products (sawn and planed goods) which exceeded last year's figure by 2,000 standards.

The equilibrium between production and demand for market pulp which characterized 1960 did not prevail during 1961. In order to stabilize the market pulp industry the Scandinavian manufacturers late in 1961 agreed to restrict production by about one million tons in the 12 month period following 1st December 1961. The total deliveries were increased by over 4,000 tons to almost 102,000 tons.

The market for kraft paper was firm in the beginning of the year but later gradually weakened partly due to the deteriorating prices for market pulp. The paper sales rose by about 2% in both value and quantity.

Timber production rose to the record level of 27,000 standards.

Sulphate pulp production rose by more than 11,000 tons to 113,000 tons.

Output of paper remained unaltered but production of paper sacks, which are only sold on the Swedish market, increased considerably.

The Company's chemical plants have been run to capacity.

Continuous production was introduced at the CMC plant late in the year.

The investments in plant and machinery at the Skoghall works which have been made lately have resulted in increased production with a decreasing number of workers.

HYDRO-ELECTRIC POWER

Rainfall in Värmland was above average in 1961, but still below that of 1960. Following these favourable conditions, the Company's power requirements could be met almost completely by water power alone. Total energy available amounted to 1,140 m. kWh, of which 80 per cent. was consumed by the UDDEHOLM Group.

PRODUCTION FIGURES

	1961	1960
Electric power (1,000 kWh)	986,000	1,040,000
Timber from Company forests (cu. ft.)	24,297,779	26,403,083
Iron ore (tons)	76,793	84,623
Dolomite (tons)	17,766	19,160
Steel ingots (tons)	338,196	338,834
Sawn timber (stds.)	27,099	24,863
Sulphate pulp (tons)	113,246	101,785
Sulphite pulp (tons)	65,898	68,965
Paper (tons)	70,482	71,058
Chemical products (tons)	112,053	110,204

GROUP SALES

	Kr.m.	Kr.m.
Iron and steel products	353.6	319.1
Timber products	212.7	203.6
Other products (incl. chemicals)	31.9	29.3
Total	598.2	552.0

PERSONNEL

The average number of people employed by the Parent Company and its wholly-owned Swedish subsidiaries in 1961 was 15,167. Wages paid to workers and other employees amounted to Kr. 211.4 m., an increase of 11 per cent.

ALLOCATION OF PROFITS

The Board and the Managing Director propose that the profit for the year of Kr. 18.0 m., and the balance of profits remaining from previous years of Kr. 14.7 m., should be allocated as follows:

- to shareholders a dividend of Kr. 8 per share against Coupon No. 69: Kr. 16,500,000;
- to balance carried forward: Kr. 16,200,000.

The report, the accounts, and the proposals put forward by the Board were adopted.

BOARD OF DIRECTORS

Alf Lindahl; Sven Schwartz; Erik Lundh; Åge Lundström; K-G Lundahl; Carl A. Jacobsson; Oskar Åkerman; Wilhelm Ekman (Managing).



Production of printed circuits for electronic devices at the Group's factory in Douai



Handling reels of newsprint with one of the new Mechanical Handling attachments

Oldham Group's steady progress

'Company shaping and adapting its resources to take full advantage of future opportunities'

—MR. JOHN OLDHAM, O.B.E.

The Annual General Meeting of Oldham & Son Ltd., the Denton (Manchester) battery, electrical, mining and mechanical handling engineers was held on September 12th.

THE Group profit before Taxation was £584,070, an increase of £68,019 over the previous year. The turnover of the Group as a whole shows a gratifying increase. Final dividend was the same as last year.

In his statement, the Chairman Mr. John Oldham, O.B.E., made the following comments:

COMMON MARKET. Shareholders will no doubt expect me to enlarge upon long-term tendencies, and particularly on the possible effects of Britain's entry into the Common Market, which in view of our geographical distribution is a matter of direct concern to the Group. I have frequently expressed my strong belief in the continued existence and welfare of the Commonwealth, and in the world's need for Britain's moral and technical leadership in this age of rapid change and development. To this I have also added my conviction that Britain's advent into the Common Market is essential if she is to continue strong and stable enough to remain the centre of a powerful Commonwealth and community of nations. The two systems are not in my view necessarily competitive, or mutually incompatible. The design and development of your Company's present trading pattern is well adapted to such circumstances through the present operations of its Subsidiary Companies in both the Commonwealth and the Common Market.

AUTOMOBILE BATTERIES. The Company's trading in the automobile and commercial vehicle battery sections increased during the period under review.

MECHANICAL HANDLING. In the field of mechanical handling, as represented by the supply of batteries and electric chargers for shop and fork-lift trucks, the Company has continued to make further steady progress.

ATTACHMENTS. A new line of mech-

anical handling attachments has recently been added to the productions of your Company, which offers the prospect of further increasing the diversification and use of this Division's productions.

This development has a significance greater than the mere addition of another set of equipment to the Company's range of products. It is a fundamental breakthrough from our previous policy of concentrating on the battery and electrical side of the industry, into what our American associates would describe as part of the "hardware" of the Mechanical Handling equipment.

MINING. The period to which I am referring has been marked by increasing competition at home and overseas. Notwithstanding these conditions, I am pleased to report that the volume of business in the Mining Division has been well maintained.

EXPORT. On the Export side, the challenge to maintaining your Company's high export levels has been very severe. I am gratified, however, to be able to say that the Company has in fact maintained that level.

OVERSEAS COMPANIES. Speaking of the Group's overseas subsidiaries, Mr. Oldham reported that "the Australian Subsidiary has more than held its own, whilst its sister company Dunlop-Oldham has now established itself on a profit making basis".

During the year the Indian Company has continued to expand and develop its sales and service concerned with the

supply of miners' lamps, and the prospect is now offered for the overseas diversification of the Company's activities!

The affairs of the South African Subsidiary continue to develop satisfactorily and a further expansion of its business is to be reported. Important development concerns the introduction by the South African Subsidiary Company of its automobile batteries to the South African Market.

The production of the French Company has now been extended into the manufacture of batteries for commercial vehicles and mechanical handling equipment. Another interesting development concerns the manufacture at Douai of safety equipment, involving the production of electronic equipment, printed circuits, etc., the first time such work has been undertaken anywhere in the Group.

THE FUTURE. Looking to the future, and the challenge which it offers, I feel that shareholders can have confidence that the Company is shaping and adapting its resources to meet that challenge, and to take full advantage of the opportunities offered.

Over the years, your Company has been successful in taking a variety of such eventualities in its stride. I am confident that as it approaches its centenary in three years' time, events will show that it is properly equipped to continue its development in the rapidly changing circumstances of this latter half of the twentieth century.



& SON LIMITED

Denton, Manchester; France; Africa; India; Australia

SOME OF THE WAYS IN WHICH UDDEHOLM PRODUCTS ARE USED IN BRITAIN:

Cold rolled strip steel for—
Razor blades, band saws, springs of every type, printers' rules, camera shutters.

Hot rolled and hammered steel for—Press tools, die-casting tools, plastic moulds, drop forging dies. Also for—Piano wire, valve springs, needles, wire ropes.

Stainless steels in sheets, bars, tubes or rods for—Food processing equipment, chemical apparatus.

Seamless tubes for—Condensers, heat exchangers, cooler tubes. Lighting masts. Steam boilers, oil cracking and refining equipment.

Welded constructions for—Atomic energy equipment, high pressure tanks, distillation columns.

Drill steels and other equipment for mining.

DE WENDEL ET CIE

SOCIÉTÉ ANONYME

(Iron & Steel)

Paris

The Annual General Meeting of DE WENDEL ET CIE S.A. was held on May 26, 1962 under the chairmanship of **Comte Emmanuel de Mitry**. The following is a summary of the report published by the Board of Directors:

REVIEW

The report notes that as a result of slower economic expansion, the activity of the iron and steel industry in France and the other countries of the European Coal and Steel Community fell considerably in 1961.

Following on destocking by the users, shorter delivery periods, and increased imports, steel

COMPANY MEETING REPORTS

production was adjusted to the new levels of demand.

Despite these less favourable conditions, DE WENDEL ET CIE S.A. maintained production at a high level. In particular, 7,502,223 tons of ore were extracted, 2,361,264 tons of pig iron and 2,759,625 tons of steel were produced, including the Company's share in the output of SOLLAC.

In all, 2,156,175 tons of semi-finished and finished products were sold and turnover, including taxes paid, amounted to NF 1,670,460,249.

Investments increased to NF 183,260,521. A second sintered products line was built. The first unit in a new blast furnace division was completed, and a second is under construction. A mill for broad-flanged beams was installed. The port installations on the Moselle were extended and adapted in view of the work to turn the river into a canal which will soon be completed. Houses were erected for employees and an apprentices' school was built.

Those subsidiaries of DE WENDEL ET CIE

THE ECONOMIST SEPTEMBER 15, 1962

whose operations are connected with the Company itself achieved satisfactory results on the whole in 1961, especially in the case of *Société Lorraine de Laminage Continu SOLLAC* which produced 1,785,000 tons of steel and 2,093,000 tons of hot-rolled strip. This Company continued to build a new cold-rolled strip mill and a new electrolytic galvanising production line.

DE WENDEL ET CIE invested NF 10,268,835 in new share issues by subsidiaries.

PROFIT AND DIVIDEND

Gross profits, before allowance for depreciation, are NF 170,201,124. It is proposed to set the whole of this sum against depreciation of fixed assets, and to pay, as from June 7, 1962, a dividend of 5 per cent or NF 2.5 per share, partly out of the profit balance brought forward from the previous year, partly out of reserves. It is further proposed to authorise the Board to issue bonds up to NF 120 million.

The report, the accounts, and the proposals put forward by the Board of Directors were adopted.

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COMPANY AFFAIRS

In the London stock market equities have again been dull this week and there has been no follow through to last Friday's rally. This was based on hopes of early moves by the government to stimulate the economy, but this week sentiment has been affected by the tone of the Bank of England's economic review and by statements by Mr S. G. Warburg here and by Mr Per Jacobsson in Washington. Uncertainty over the common market was a further factor restraining buyers and over the week The Economist indicator fell by 1.9 points to 326.6. Once again interest has centred on gilt-edged, particularly among the short and medium dated stocks. The new Manchester loan got off to a good start and rose to a premium of 1½.

Bswater Paper

THE new chairman of Bowater Paper Corporation, Sir Christopher Chancellor, and his fellow directors have many problems to face in the months ahead. Not the least of these will be to decide what final dividend they should declare for 1962. The interim dividend has been maintained at 5 per cent and in his statement accompanying the results for the first six months which was prepared shortly before his death, Sir Eric Bowater wrote that he did not believe it possible now to express an opinion about the rate of the final dividend but when the time came the directors would take into account not only past results but also future prospects.

This would seem to hold out some hope that the total dividend will be maintained at 13½ per cent even though there is the possibility that this payment will not be fully covered by earnings. For the first half of 1962 earnings were running at an annual rate of just under 11 per cent. A further decline in profits has taken place but sales, though lower than in the first six months

facturers will have to accept slim profit margins for some time to come. It has been estimated that the gap between demand and capacity will not narrow much in the next two or three years. If this is the case can the directors risk paying a dividend not completely covered by earnings? The other factor which will no doubt have some influence on the directors' decision is whether or not Britain joins the EEC. If she does, the British paper manufacturers may be less exposed to Scandinavian competition. But whatever happens it is clear that the dividend is in the balance and this is reflected in the 8.2 per cent yield offered by the £1 shares at 33s. 7½d.

General Electric

At the end of last week the £1 shares of General Electric touched a new high for the year of 37s., which compares with a low point of 26s. and which brought the dividend yield down to 5½ per cent. The latest rise in price was sparked off by the speech that Mr Arnold Lindley, the chairman, made at the annual meeting. Mr Lindley expects a further advance in profits in the current year. This forecast is based partly on the "significant economies" that should result from the reorganisation of the group and the introduction of new trading policies. The difficulties in the group's domestic equipment and radio and television businesses have now apparently been overcome and the telecommunications business holds out substantial prospects of growth in the years ahead.

This cannot be said, however, of the heavy electrical engineering division, where profit margins are low and which still remains the prime "area of difficulty." Another serious problem still facing GEC is its short-term debts, which including acceptance credits amounted to £11½ million at the end of March even though numerous investments and properties had been sold. Since then the overdraft has risen again, though this in part reflects the higher level of business activity within

the group. If the chairman's forecast of a rising trend in profits is realised the capital problem will be eased, while the sale of Magnet House should bring in some much-needed cash. But Mr Lindley says that the group "must continue to seek suitable opportunities to expand business" and clearly in several directions it will have to spend heavily on development and research. Thus while GEC's trading prospects are brighter than for some time past the group is unlikely to be able in the immediate future to pass on to shareholders much of the benefit that may arise from reorganisation. But shareholders will recognise that without the reorganisation a regular dividend of 10 per cent would have been impossible. The shares have fallen back to 35s. this week and yield 5.6 per cent.

Rank Organisation



WITH the profits and the dividend for the year to June 30th last already forecast, both at the time of the issue of £5½ million convertible debentures and of the acquisition of Murphy Radio by Bush Radio, the preliminary report of the Rank Organisation was not expected to produce any surprises. As forecast, a dividend of 25 per cent, against 22½ per cent, has been declared, but in fact profits are much better than had been indicated. Before tax and interest charges profits at £6,617,000 compare with £6,451,000 in 1960-61 and with a forecast of approximately £6 million. Reflecting the highly geared capital structure, net profits at £1,906,000 are about 20 per cent more than the forecast of £1,550,000. No reason is given in the preliminary statement why the Rank Organisation did so much better than it had been expected but it seems that the chairman, Lord Rank, who retires from that office after next month's annual meeting, will be able to sign off on an optimistic note by holding out the prospect of further increase in profits in the current year.

Where will this improvement come from? There seems little sign that the group's cinema interests, which still account for nearly three-quarters of total profits, will again do little more than hold their own. The directors may look for better results from manufacturing interests, whose profits have fallen from £1,532,000 in 1959-60 through £1,148,000 in 1960-61 to £728,000 in 1961-62. In their earlier forecasts the directors had not expected bigger profits from Rank's miscellaneous and much publicised activities such as bowling alleys, ballrooms, television relay and rental companies and Bingo to offset the fall in manufacturing profits. But this is what happened, for miscellaneous profits rose from £325,000 to £972,000. The directors may be counting on some further growth in profits from these sources.

Continued on page 1060

EDUCATION AND COURSES
THE LONDON SCHOOL OF
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A series of ten lectures on THE COMMON MARKET will be given fortnightly during the Michaelmas and Lent Terms, 1962-63, on Tuesdays at 5 p.m., beginning on October 9. So far the following have accepted invitations to speak:—
Europe in the Making, M. P. O. Lanje.
Machinery of Government, Professor Max Beloff.
Legal Aspects, Professor O. Kahn-Freund.
Labour Problems and Social Policy, Mr. Robert Cox.
Problems of the Association of Oversea Countries, Dr. J. J. Van der Lee.
Tariffs and Trade, M. J. Rovers.
Industrial Reciprocity, especially the problems of particular industries in individual countries, Lecturer to be announced.
Agriculture, Mr. H. B. Krohn.
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Money and Finance, Professor S. Posthumus. Admission free without ticket.

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10 lectures, weekly on Mondays (2.30 to 5.0 p.m.) from 8th October, 1962, entitled THE MANAGEMENT OF MEN AND RESOURCES. Fee 5 gns.
8 lectures, weekly on Thursdays (2.30 to 5.0 p.m.) from 27th September, 1962, entitled MARKETING MANAGEMENT. Fee 5 gns.
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10 lectures, weekly on Fridays (7.0 to 8.30 p.m.) from 28th September, 1962, entitled EFFECTIVE SPEAKING. Fee 3 gns.
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For other opportunities
see page 1063THE UNIVERSITY OF HULL
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High	Low	GUARANTEED STOCKS				£ s. d.	£ s. d.	High	Low		High	Low				
100 1/2	100 3/4	Treasury 5 1/2%	1962	100.6	100.5	—	3 12 10	105 1/2	79 9	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
99 1/2	99 1/2	Exchequer 3 1/2%	1962-63	99 1/2	99 1/2	2 8 3	3 12 10	105 1/2	79 9	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
100 1/2	100 1/2	Conversion 4 1/2%	1963	100 1/2	100 1/2	2 8 3	3 12 10	105 1/2	79 9	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
97 1/2	97 1/2	Exchequer 2 1/2%	1963-64	97 1/2	97 1/2	2 13 1	3 16 9	105 1/2	79 9	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
100 1/2	100 1/2	Conversion 4 1/2%	1964	100 1/2	100 1/2	1 18 11	4 0 8	101 1/2	80 1/2	7 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
96 1/2	96 1/2	Savings Bonds 3 1/2%	1955-65	96 1/2	96 1/2	3 3 9	4 8 2	100 9/16	73 3/4	7 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
102 1/2	102 1/2	Exchequer 5 1/2%	1964-67	102 1/2	102 1/2	2 14 1	4 16 3	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
85 1/2	85 1/2	Savings Bonds 2 1/2%	1964-67	85 1/2	85 1/2	3 13 10	4 16 2	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
101 1/2	101 1/2	Exchequer 5 1/2%	1967	101 1/2	101 1/2	2 19 0	4 19 8	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
89 1/2	89 1/2	Funding 3 1/2%	1966-68	89 1/2	89 1/2	3 16 4	5 1 7	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
84 1/2	84 1/2	Conversion 3 1/2%	1969	84 1/2	84 1/2	3 15 3	5 4 2	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
88 1/2	88 1/2	Funding 3 1/2%	1959-69	88 1/2	88 1/2	3 18 5	5 3 0	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
97 1/2	97 1/2	Victory 4%	1920-70	97 1/2	97 1/2	3 2 8	4 14 10	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
85 1/2	85 1/2	Savings Bonds 3%	1960-70	85 1/2	85 1/2	4 0 1	5 5 8	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
97 1/2	97 1/2	Conversion 5 1/2%	1971	97 1/2	97 1/2	3 8 2	5 8 5	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
103 1/2	103 1/2	Conversion 6 1/2%	1972	103 1/2	103 1/2	3 8 4	5 8 5	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
98 1/2	98 1/2	Conversion 5 1/2%	1974	98 1/2	98 1/2	3 8 4	5 8 5	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
97 1/2	97 1/2	Funding 4 1/2%	1960-90	97 1/2	97 1/2	3 5 1	4 19 0	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
92 1/2	92 1/2	Savings Bonds 3%	1965-75	92 1/2	92 1/2	4 2 7	5 9 10	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
76 1/2	76 1/2	Treasury 3 1/2%	1977-80	76 1/2	76 1/2	4 0 11	5 13 9	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
75 1/2	75 1/2	Treasury 3 1/2%	1973-81	75 1/2	75 1/2	4 0 11	5 13 9	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
97 1/2	97 1/2	Funding 5 1/2%	1982-84	97 1/2	97 1/2	3 11 0	5 14 11	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
90 1/2	90 1/2	Treasury 5 1/2%	1986-89	90 1/2	90 1/2	3 14 7	5 16 6	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
62 1/2	62 1/2	Redemption 3%	1986-96	62 1/2	62 1/2	3 16 11	5 9 3	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
66 1/2	66 1/2	Funding 3 1/2%	1999-2004	66 1/2	66 1/2	3 15 5	5 12 11	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
94 1/2	94 1/2	Treasury 5 1/2%	2008-12	94 1/2	94 1/2	3 12 8	5 17 7	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
67 1/2	67 1/2	Consols 4 1/2% after Feb. 1957	1957	67 1/2	67 1/2	3 13 2	5 19 10	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
61 1/2	61 1/2	War Loan 3 1/2% after Apr. 1952	1952	61 1/2	61 1/2	3 12 3	5 17 5	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
52 1/2	52 1/2	Conv. 3 1/2% after Apr. 1961	1961	52 1/2	52 1/2	3 11 1	5 17 3	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
52 1/2	52 1/2	Treasury 3 1/2% after Apr. 1966	1966	52 1/2	52 1/2	3 11 1	5 17 3	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
44 1/2	44 1/2	Consols 2 1/2%	1967	44 1/2	44 1/2	3 10 1	5 14 3	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
49 1/2	49 1/2	Treasury 2 1/2% after Apr. 1975	1975	49 1/2	49 1/2	3 11 4	5 16 4	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
51 1/2	51 1/2	British Electric 4 1/2%	1967-69	51 1/2	51 1/2	3 9 10	5 8 11	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
80 1/2	80 1/2	British Electric 3 1/2%	1968-73	80 1/2	80 1/2	3 9 10	5 8 11	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
75 1/2	75 1/2	British Electric 3 1/2%	1974-77	75 1/2	75 1/2	3 1 8	5 9 11	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
69 1/2	69 1/2	British Electric 4 1/2%	1974-79	69 1/2	69 1/2	3 16 3	5 12 8	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
77 1/2	77 1/2	British Electric 3 1/2%	1976-79	77 1/2	77 1/2	4 0 7	5 13 6	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
82 1/2	82 1/2	British Gas 4 1/2%	1969-72	82 1/2	82 1/2	3 16 4	5 9 11	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
80 1/2	80 1/2	British Gas 3 1/2%	1969-71	80 1/2	80 1/2	3 17 10	5 10 6	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
53 1/2	53 1/2	British Gas 3 1/2%	1990-95	53 1/2	53 1/2	3 17 10	5 10 6	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
74 1/2	74 1/2	British Transport 4 1/2%	1972-77	74 1/2	74 1/2	3 17 0	5 12 4	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	
84 1/2	84 1/2	British Transport 3 1/2%	1978-88	84 1/2	84 1/2	3 17 0	5 12 4	107 1/2	71 1/2	6 1/2 b	BANKS, DISCOUNT & HP		85 9	83 9	3 10	

NEW YORK PRICES AND INDICES

Sept. 5	Sept. 12	Sept. 12	Sept. 12	Sept. 12	Sept. 12	Sept. 12	Sept. 12
\$	\$	\$	\$	\$	\$	\$	\$
Asch. Tapsco	21 1/2	21 1/2	Boeing	39 1/2	40 1/2	Int. Harvester	46 1/2
Can. Pac. Ry.	20 1/2	20 1/2	Calumet	34 1/2	35 1/2	Inter. Nickel	61 1/2
Pennsylvania	11 1/2	12	Chrysler	58 1/2	58 1/2	Inter. Paper	25 1/2
Union Pacific	38 1/2	38 1/2	Col. Palmolive	40 1/2	39 1/2	Kennecott	68 1/2
Amer. Electric	38 1/2	38 1/2	Crown Zellerbach	40 1/2	39 1/2	Monsanto	38 1/2
Am. Tel. & Tel.	107 1/2	111 1/2	Diall's Seng	39 1/2	39	Nat. Distillers	24 1/2
Cons. Edison	75 1/2	76 1/2	Douglas	23 1/2	24	Pan-American	18 1/2
Int. Tel. & Tel.	41 1/2	41 1/2	Dow Chemical	48 1/2	52	Procter & Gamble	66 1/2
Soc. Sec. Ins. Co.	43 1/2	43 1/2	Du Pont	198 1/2	205 1/2	Radio Corp.	66 1/2
Western Union	26 1/2	26 1/2	East. Kodak	99 1/2	100 1/2	Sears-Robuck	50 1/2
Alcoa	59 1/2	59 1/2	Ford Motor	42 1/2	44 1/2	Shell Oil	31 1/2
Aluminum	22 1/2	22 1/2	Gen. Electric	65 1/2	67 1/2	Soc. Mob. Oil	51 1/2
Amer. Can.	43 1/2	43 1/2	General Foods	69 1/2	70 1/2	Stand. Oil Ind.	44 1/2
Am. Smelting	52 1/2	54 1/2	Goodyear	28 1/2	28 1/2	Union Carbide	89 1/2
Am. Viscose	54 1/2	55 1/2	Gulf Oil	35 1/2	36	U.S. Steel	42 1/2
Anaconda	39 1/2	38 1/2	Heinz	43 1/2	43 1/2	West. Electric	27 1/2
Beth. Steel	31 1/2	30 1/2	Int. Bus. Mach.	383	383 1/2	Woolworth	67 1/2

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

1962	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
Aug. 15	61.48	3.50	28.00	5.76	56.85	3.61	89.12	3.95
" 22	62.67	3.44	28.49	5.66	57.78	3.55	89.45	3.92
" 29	61.38	3.51	28.35	5.69	57.38	3.58	89.43	3.94
Sept. 5	61.38	3.51	28.35	5.69	57.38	3.58	89.43	3.94
" 12	61.42	3.50	27.95	5.78	57.33	3.59	89.33	3.95

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

FOREIGN AND OVERSEAS STOCKS

	Sept. 5	Sept. 12		Sept. 5	Sept. 12		Sept. 5	Sept. 12			
FRANCE		Fr.	Fr.	GERMANY		%	%	HOLLAND	%	%	
Air Liquide	1,162	1,135	A.E.C.	393	395 1/2	A.K.U.	363	360			
Banque de Paris	518	507	Bad'che. Anilin	388	385 1/2	Bjorkorff	830	855			
Citroen	189 1/2	181 1/2	Bayer	449	445 1/2	Heineken	460	460			
C. F. Petrole	286	295	Commerzbank	410	407	Interunie (Fl. 50)	Fl. 180	Fl. 180			
Cie. G. d'Elect.	1,271	1,225	Deutsche Bank	443	439	K. N. Hoogoven	553	550			
Machines Bull.	500	485 1/2	Hoechst Farb.	387	382	Kon. Zout-Ket.	718	711			
Pechiney	245	237	Kundenkredit	373	372	Philips (Fl. 25)	Fl. 154 1/2	Fl. 150			
Printemps	539	533	Lowenbrau	900	890	Robeco (Fl. 50)	Fl. 206	Fl. 205			
Rhone-Poulenc	422	417	Mannesmann	217	216 1/2	Rotterdam Bk.	359	349			
S.I.M.	368 1/2	365 1/2	Siemens	566	568 1/2	Thomson & D.	680 1/2	682 1/2			
Saint-Gobain	368	356	Thyssen-Huette	185	186	Valerup	681 1/2	681 1/2			
Usinor	191	197	Volkswagen	502	498	Zwanenberg	872	880			
Index	98 6	97 0	Herstatt index	86 59	86 34	Index	332 4	329 9			
Dec. 30, 1960=100.			Dec. 31, 1959=100.			1953=100.					
CANADA		\$	\$	AUSTRALIA		£A	£A	JAPAN		Yen	Yen
Abitibi Pr. & P.	45 1/2	44 1/2	Ampol Pet.	11/6	11/5	Ajinomoto	382	370			
Aluminium	24	24 1/2	Ass. Pulp & P.	29/7	30/5	Fuji Iron	44	44			
Bel Tel.	51 1/2	49 1/2	Aust. Con. Inds.	61/6	59/6	Hitachi	78	72			
Can. Brewer's	91 1/2	91	Br. Tobacco	52/6	57/6	Honda Motor	346	330			
Can. Imp. Bank	55 1/2	57	Broken Hill Pty	24/9	24/9	Kirin Brewery	340	337			
Can. Pac. Ry.	22 1/2	22 1/2	G. J. Coles	12/10	13/1	Mitsub. Chem.	64	62			
Hiram Walker	53 1/2	52 1/2	Felt & Textiles	7/5	7/11	Mitsub. Elect.	67	65			
Imperial Oil	44 1/2	43 1/2	Int'l. A.N.Z.	39/6	39/9	Nippon Elect.	309	287			
Noranda Mines	29 1/2	29 1/2	Myer Emporium	29/11	29/9	Sony	700	676			
Shawinigan Wtr	24	23 1/2	Royal Milk Con.	13/7	12/5	Toyo Rayon	125	123			
Steel of Canada	20	20 1/2	Woolworth	14/1	14/1	Yawata Iron	49	48			
Trans. Can. Pipe	20	20 1/2	Sydney Indust.								
Toronto Ind. Index	552.10	546.88	Index	288.03	286.61						



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Computer guidance pays

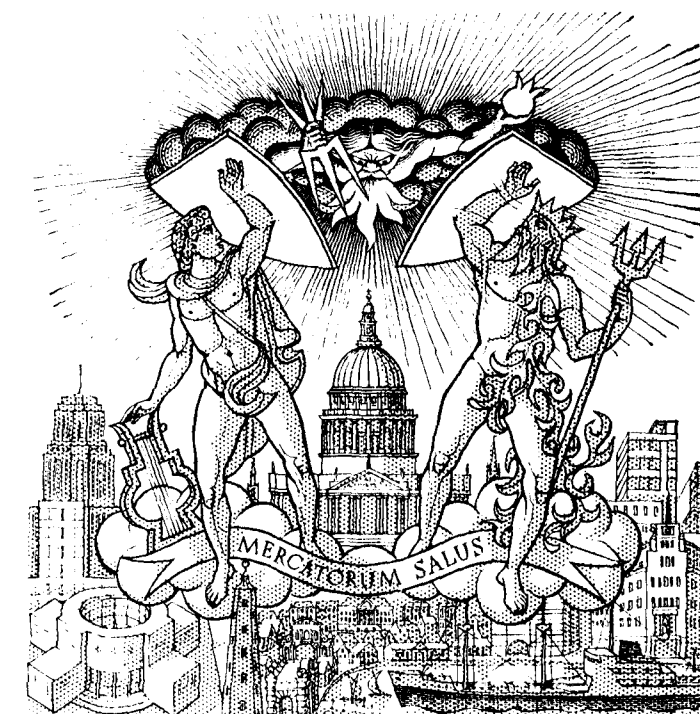
The case above is only one of many where slashed costs and greater efficiency have resulted from computer guidance. Computers can perform an immense range of tasks with equally immense rapidity. Once properly programmed, they can cut through apparent jungles of information to reach relevant and practical conclusions. And because computers consider every aspect of a problem, every combination of variable factors, decisions based on their guidance are happily free from bias or over-simplification. Computers don't play hunches, but they can test them.

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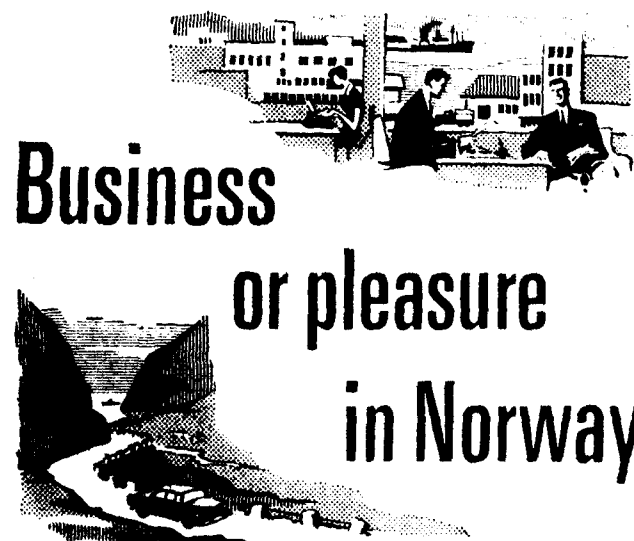
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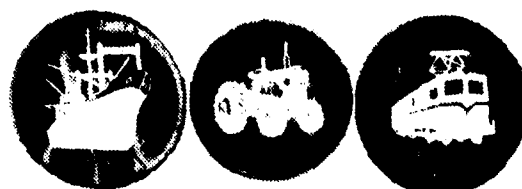
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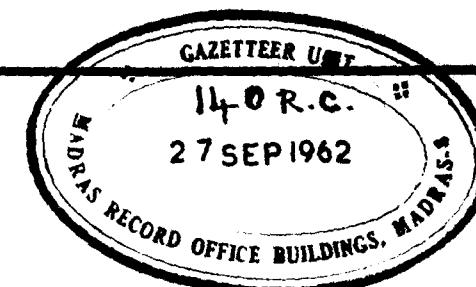
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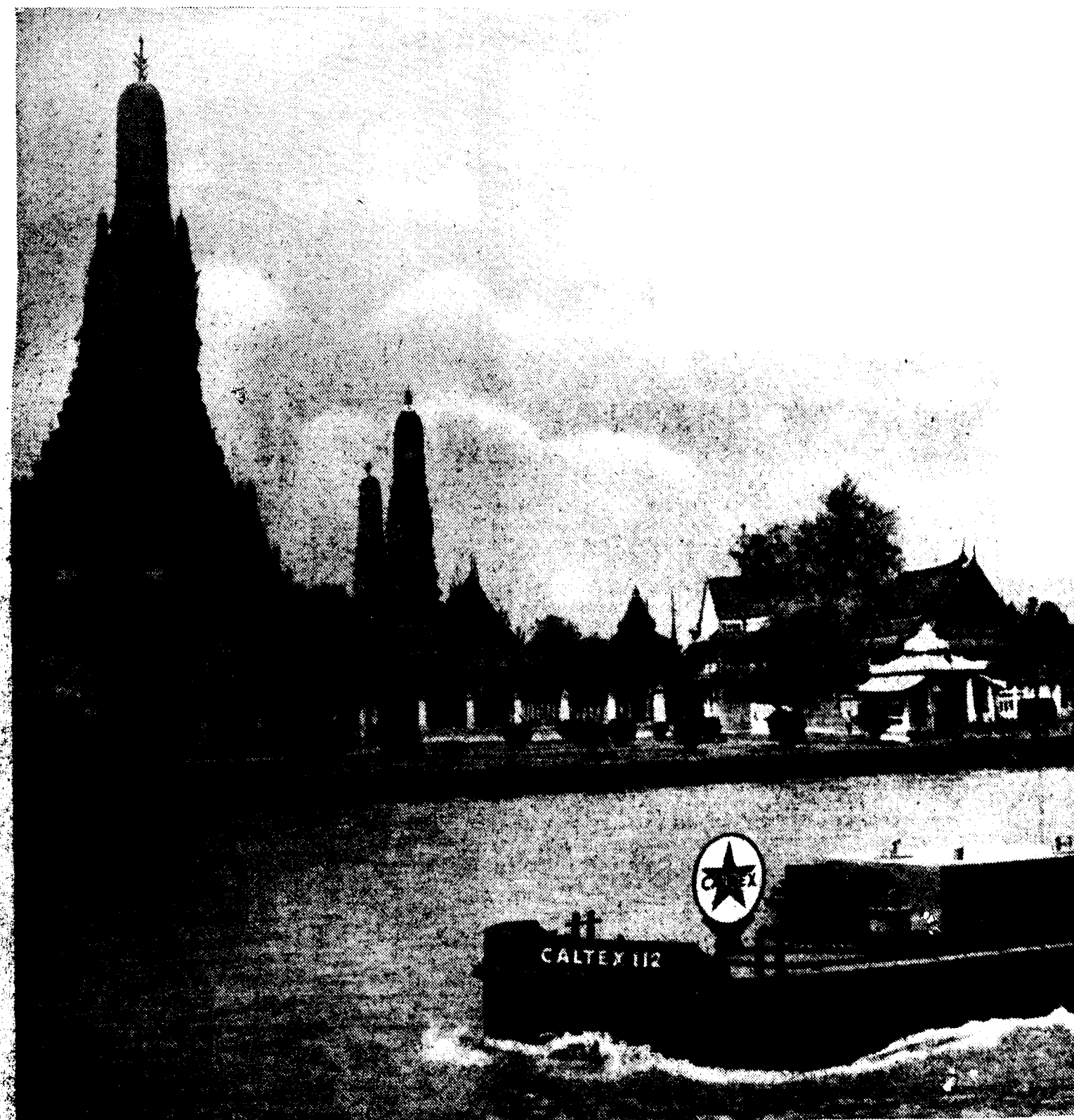


THE MISMANAGED TRADE CYCLE A COMMONWEALTH AT SEA

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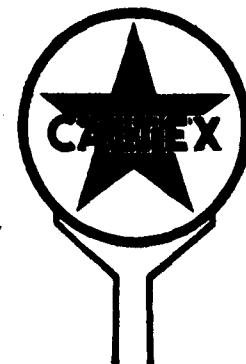
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The Economist this Week September 22, 1962

INTERNATIONAL

To Be a Pilgrim: An uncomfortable Commonwealth meeting has at least forced Mr Macmillan to quit stalling and to come clean about Britain's intention to push on into Europe. The Commonwealth have accepted the fact, without joy. Now it is up to Mr Heath to convince the Six, too, that Britain is in earnest (p. 1080).

• By coming down on the other side of the fence, Mr Gaitskell may have lost some voters (p. 1087).

• Mr Diefenbaker's inglorious return (p. 1110).

On page 1116, Mr Hawtrey argues against Britain's entry, and Mr Jay tells The Economist off.

New Jerusalem? Despite the reservations of more conservative financial experts at Washington, Mr Maudling went ahead and introduced his ideas for extending the machinery for financing world trade (p. 1123).

Unless more funds are assured, the International Development Association's activities will grind to a halt by mid-1963 (p. 1125).

In the United States, too, foreign aid is in trouble (p. 1104).

President Kennedy triumphed with surprising ease in getting his trade expansion bill, but how effective or how revolutionary will it prove in practice? (p. 1099).

New York's Lincoln Centre, which opens this week, may have more than one Achilles heel (p. 1102).

Competitive bidding for long-term bonds is the latest rabbit from the United States Treasury's inexhaustible hat (p. 1106).

In India they prefer to put their savings into gold (p. 1109).

Fiery Chariots: If anybody but General de Gaulle had urged an "organic co-operation" between the French and German

armies the thought might perish. But the general usually means what he says (p. 1109).

Mr Thorneycroft's defence reconnoitre found the Americans polite, but negative (p. 1087).

Communist opinion is swinging in favour of the Kurdish revolutionaries in northern Iraq. But the help that is offered may not be the kind the Kurds would choose (p. 1113).

Flight from Egypt: Syria's new ministers do not care much for one another, but they like the Egyptians less (p. 1088). The Egyptians for their part are still playing hard to woo (p. 1088).

Jordan used to make news by the fact that it still existed; these days it is also making news by what it does (p. 1113).

But in the Yemen, a change of Imams may not mean much outside court circles (p. 1087).

HOME

OLD TESTAMENT

Jeremiah Justified: Critics of the mismanagement of Britain's economy over the past fourteen months will derive small comfort from having been proved right: having been reined in over safe country, Mr Maudling's horse can now only be given its head on dangerously boggy ground (p. 1079).

Book of Kings: The Shawcross Committee, puzzling over the concentration of newspapers in too few hands, has been unable to recommend a quick remedy: and its incidental revelations of Fleet Street inefficiency are shaking (pp. 1082, 1083).

Right hand of the lord: The likelihood of a substantial handful of Liberals holding the balance of power between the two greater parties is not so far-fetched as to make otiose some hard thinking about whose side they should come down on (p. 1085).

Coat of Many Colours: In conference at Llandudno, the Liberals have put off gay party clothes in favour of the more sober

dress of serious politics: and there is a glossy new European coat in the cupboard (p. 1095).

Dare to be a Daniel: The prospective Labour Minister of Labour has come to a welcome late conclusion about the incomes policy his hypothetical government would have to pursue (p. 1088).

NEW TESTAMENT

A Parable of the Talents: The paradox of higher profits followed by increases in electricity prices is not as hard-faced as it seems: as demand for electricity grows, larger "surpluses" are needed for more plant to meet it (p. 1126).

Life Everlasting: Some time after its official death, Blue Water's mortal remains are still being manufactured at Stevenage (p. 1092).

Shorn Lambs: Among the talk of protection for workers from the chill winds of redundancy, commercial agents remain at

the mercy of unscrupulous principals (p. 1090).

Neither Rich nor Poor: There are signs that the long-awaited day when state and private schools—at least preparatory schools—offer comparable advantages may be, if not exactly nearer, less far off (p. 1089).

Sheep and Goats: Mr Marples's plan to extend mechanical fitness tests to all vehicles of whatever age is a better idea than protesting motorists allow (p. 1088).

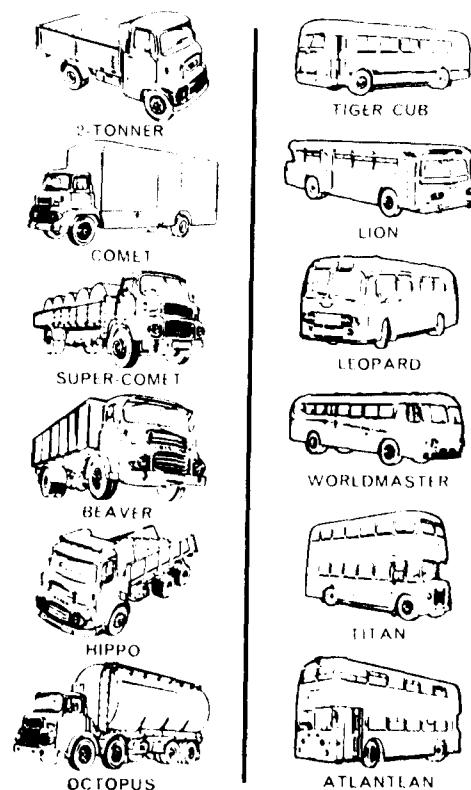
Timor Mortis: The ease with which air accidents happen allows no margin of error in flying (p. 1134).

Prophet in his Own Country: Mr Maudling's new gospels in the international field leave home problems unregenerately difficult (p. 1127).

Detailed contents on page 1079

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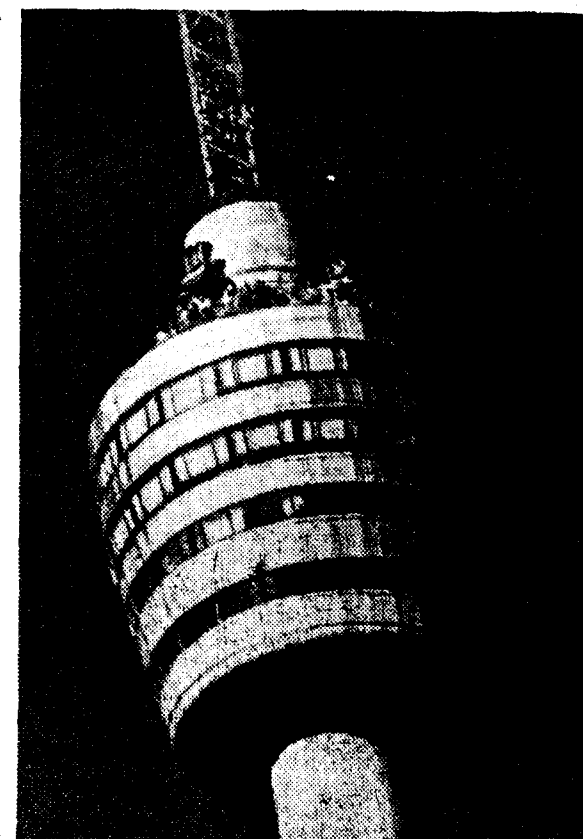
Television tower, Stuttgart

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NATO TROOPS ON EXERCISE Soldiers of the Bundeswehr—Germany's new NATO army—take part in the NATO exercise 'Operation Backlash.' NATO is one of the users of amphibious vehicles manufactured by Industrie-Werke-Karlsruhe from sheet steel supplied by The Steel Company of Wales.



ON THE RAILS—WELSH STEEL

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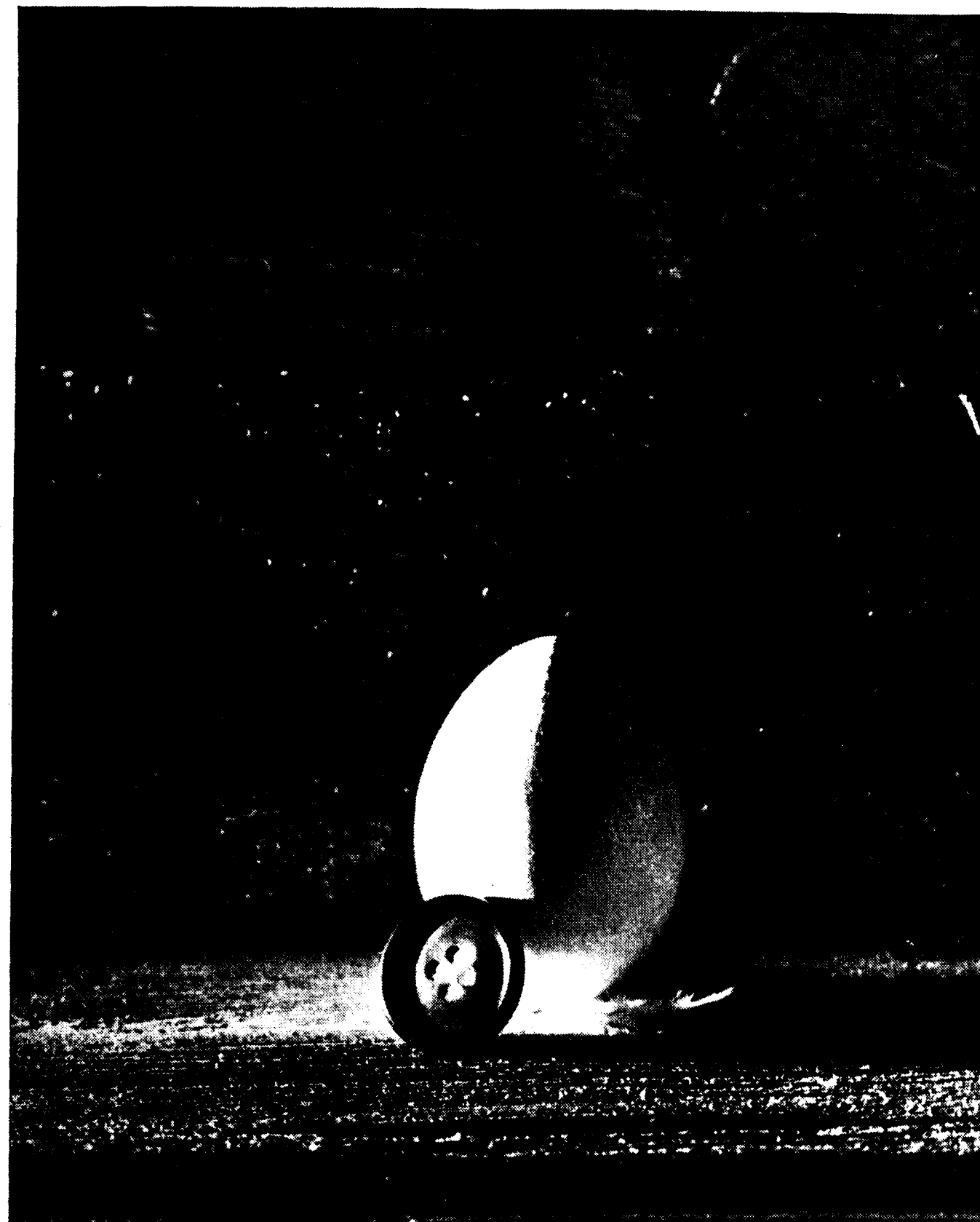
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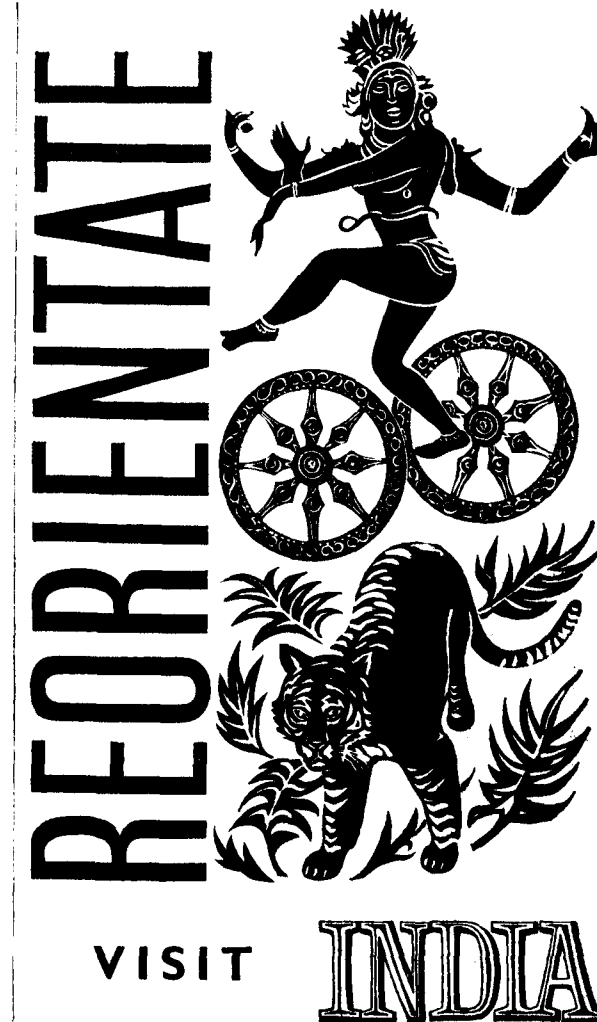
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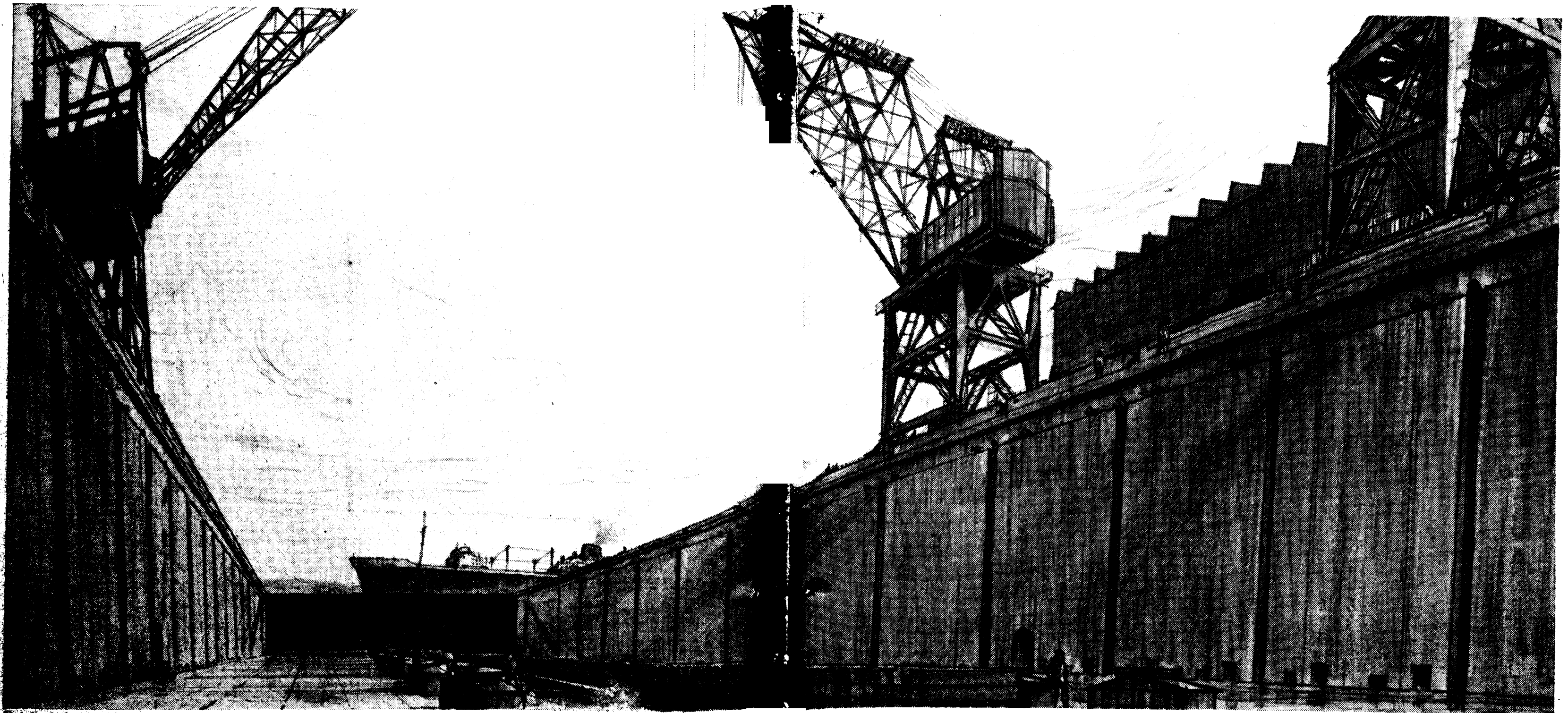
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The Economist

SEPTEMBER 22, 1962

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The Mismanaged Cycle

AT the beginning of this year *The Economist* was strongly critical of the reasons Mr Selwyn Lloyd was putting forward for continuing to restrain internal demand. We saw no logic in his argument that, because the first part of 1962 looked like being a period of exceptionally good prospects for Britain's external trade, it would be better to delay the first surge of re-expansion to a time when the outlook for Britain's external trade would be likely to look somewhat gloomier.

There is no satisfaction now in saying "we told you so." It is quite clear that Mr Maudling is itching to re-expand the economy this autumn. This is partly because many of Britain's resources are plainly being underutilised, partly because this year's dampening of business confidence has led to a pretty alarming fall in the amount of investment which industry has indicated that it intends to put in hand next year, but chiefly because the continuing stagnation has become politically out of fashion. Unfortunately it also seems likely, to judge from the overseas trade returns for July and August, that if the Government now puts its best foot forward for expansion it will be putting it forward slap into the most awkward possible stage of the external trade cycle. All the signs suggest that Britain's imports are now about to rise because stocks of imported raw materials have run down to rock bottom; and that Britain's exports may be about to droop because the period of buoyant expansion in world trade may be temporarily over. An article on page 1123 discusses the efforts that Mr Maudling has been making at Washington to ensure that any pressure on sterling as a key currency during any such slow-down in total world demand does not make it illogically impossible for Britain to follow re-expansionist policies at home; and a series of Business Notes from page 1127 discusses the internal economic situation which Mr Maudling has inherited. These articles and notes do not provide many grounds for ebullient optimism. The signs are multiplying that Mr Lloyd's stern policies, so far from laying a firm foundation for sound growth in future, may have helped on balance to erode some of that foundation.

During the (now probably fading) period of plush world trade the slack state of domestic British markets may conceivably have caused a not negligible amount of output to be sold abroad—at little enough profit—to keep manufacturers' capacity running. But there is no evidence that the check to business confidence in this period has encouraged exporters to seek out new markets and novel opportunities abroad. The Treasury's conventional argument that domestic slow-down impels businessmen into making new export explorations would be substantiated only if the best available official indices of those explorations—say, the requests pouring into the banks for overseas travel allowances to distant markets on business account—showed a tendency to rise in a domestic slump and fall in a domestic boom. There is no evidence at all that this is true. Instead normal experience and industrial psychology suggest that boards of directors may have been less inclined to risk money on such uncertain ventures while they have been feeling squeezed and cautious, than they would have been if they had been feeling reasonably flush. Now they may be going to be made to feel more prosperous at home, but simultaneously some of the best opportunities may be about to disappear abroad.

It is because the results of the pause in growth have been so disappointing that Mr Maudling will probably still be right to start re-expanding the domestic

economy this autumn. If so, he will obviously try to provide the main incentive to industrial investment rather than to personal consumption. To be specific he might be wise to introduce a full-scale autumn budget, including some investment incentives, rather than simply to put money in consumer's pockets by lowering the purchase tax regulators. But let there be no mistake about the risks he would now be



A Commonwealth at Sea

Now that the Commonwealth prime ministers have had their say, Mr Macmillan has to give Britain a clear lead into Europe

IT was not a famous victory for Mr Macmillan. Neither was it the disaster that seemed possible last week, when the successive prepared speeches of the Commonwealth prime ministers rumbled with objections to Britain's European enterprise. The communiqué issued by the prime ministers on Wednesday afternoon is not the understanding document one might have hoped for (merely "taking note," as it does, of the British argument for joining Europe, no more). But it does firmly leave the final decision to Britain, where it belongs.

After the conference, Mr Heath has a new load of demands to carry back to Brussels, while British opinion is left expectedly rattled by the shock to familiar loyalties and by the quite unexpected wrench between the needs of the future and the affections of the past. But one thing is clear. No Commonwealth country has in the end attempted to impose a veto on British membership of the common market. For its part, the British Government has emerged with its determination to go into Europe unshaken. In his two speeches to the conference Mr Macmillan nailed his colours to the mast beyond any mistake.

This means that when Mr Heath goes back to Brussels he ought to do everything he can to fill in the blanks in the outline terms to the advantage of the Commonwealth, to assuage the various members' complaints about "the extent to which their interests have not so far been met." But he has not been instructed to undo what has previously been agreed and start afresh, thus jeopardising the whole giant enterprise of enlarging the European Community. The blank spaces in the negotiation still give him a good deal of scope. He can seek more detailed guarantees for New Zealand lamb and dairy produce, amplifying the promise made by the Six in general terms in August. He can still bargain to get the tariffs down on aluminium, newsprint and the few other raw materials vital to Canada. (The progress of President Kennedy's attempt to reduce world tariff levels is described by our Washington correspondent on page 1099.) Australia will have to rely on world agreements to give it a better price for its wheat, as the French have always said such agreements should; but Mr Heath can still press the common market to be more specific about future price policy.

In one other important field there are strong arguments for adding a rider to what has been agreed. President Ayub Khan of Pakistan and Mr Nehru have convincingly restated the case for liberal treatment for exports of manufactures

taking by doing this. After having driven the British economy on the brake while it was proceeding along the straight, with a clear view ahead, the Government may now be about to have to press on the accelerator just as Britain is approaching a dangerous corner in the cycle of international trade. This is a sorry commentary on the mistimed management of Britain's internal economic policy in the past fourteen months.

from their countries. Though the common market's promise to negotiate trade agreements with India, Pakistan and Ceylon by 1966, with the aim of expanding both trade and aid, partly meets the need, it would be better still—as the three countries point out in the communiqué—if the Six would agree to put the promise into practice sooner. But the Indians and Pakistanis cannot expect the other agreements with the Six which concern them to be put aside until the new trade agreements are sewn up. For them, as for the rest of the Commonwealth, the outline brought home by Mr Heath in August must remain the basis of the ultimate agreement. There is, after all, no evidence of any kind to suggest that the trumpets the Commonwealth has been sounding have improved the chances of getting better terms from the Six. The British delegation at Brussels will have to go on with its work, adding to and filling in what has already been agreed, not going back to the start.

This means that one group of Commonwealth countries in particular—the African states who have rejected association—cannot expect to see all their demands satisfied. Having rejected the best possible economic terms on political grounds, they can now expect no more than an economic second best. Neither the Six, nor their African associates, are prepared to give the economic benefits of association—free entry to the whole common market—to countries that reject association as such. •

The tale of misunderstanding and mistrust in Lagos and Accra is a sad one, for Nigerian and Ghanaian fears of association are at once baseless and easy to understand. There is nothing in association, as it is at present envisaged, to prevent the associated countries pursuing independent economic policies, including the protection and building up of their infant industries, or forming an African common market of their own. Indeed, if the association of French-speaking and English-speaking Africans side by side had replaced the present separate lines to different parts of western Europe, African unity would have been made a degree easier. It is precisely the lack of effective inter-African links that makes the independence of the new African states look, to radical eyes, hollow. The fact remains that, so soon after independence, the desire to avoid non-African alignments and entanglements is so strong in what has been British Africa as to be a virtually irresistible political force; to plead western rational arguments against it is at present useless.

Britain, and the other western countries, have to learn to live with this fact. There is not much chance of persuading the key African states, like Nigeria, or the others who will follow their lead, back to the association they have just rejected. Trouble might indeed have been saved if it had been recognised earlier in London how rigid was the hostility to the common market in angry young Africa. The British, on the other hand, cannot be expected to turn aside from their own destiny in deference to the African mood. All they can do is to make clear that this is not the end of their responsibility: that their voice will be for trading policies and aid policies that pay heed to African needs; and that this is the general interest of the West.

In short, in the Brussels negotiations and beyond them, effort must be devoted to making the economic second-best as satisfactory as possible for the Africans. If the African members of the Commonwealth are not to be inside the new tariff preferences for tropical products, then a further attempt is needed to bring the tariffs down. New attempts at commodity stabilisation, and new thinking about western aid to economic groupings formed by the Africans themselves, will have to follow. It will be a good thing if the countries of the east African common market can negotiate jointly with the European community as they have suggested. The net result of all this may not, in five years or so, be very different from what would have resulted from an enlarged association.

WHEN all the detailed conclusions have been drawn from the Commonwealth conference, the big question still remains. Has the unprecedented clash, the shock to ancient ways, done real damage to the valuable habits of Commonwealth trust and consultation? Shock apart, this conference differed in one important way from previous Commonwealth conferences. Gone, almost unnoticed, was the chummy privacy in which the Commonwealth prime ministers have habitually exchanged ideas. This time the speeches were aimed at an invisible audience, the electorate back home. Prepared in advance, and meant for publication, they were systematically leaked. The positions taken up were, in consequence, rigid and often extreme; discussion was made difficult, and the search for common ground hampered. This was only partly because the very future of the Commonwealth seemed to be at stake. It reflects a process, unrelated to the common market, which has been and still is at work in the Commonwealth itself. As the Commonwealth becomes fragmented into more and more states, discussion inevitably gets more rambling, less purposeful and more demagogic, just as it does in the United Nations.

As the new nations, from Tanganyika to Trinidad, claim their identity, the intimate family atmosphere inevitably fades and vanishes. To say this is not to deny that the common market has in the last two years placed an added strain on those already loosening bonds. To some extent this extra strain has been inherent in the problems which British entry into the common market presents in fact. But another kind of strain has been added by the British Government's political and diplomatic inhibitions in explaining what it was about. The Government's handling of this side of it has not always been as straightforward as some Commonwealth governments would have wished, if their delegations in London are to be believed.

Without doubt, Mr Heath and his team in Brussels have done their best to keep the Commonwealth observers informed. Some Commonwealth governments, such as New Zealand's, have had the wit to read the mysterious auguries of changing policy in London, and the foresight to think for the future; they have been able to work with the British effectively enough, on the assumption that Britain would one day join. But other Commonwealth governments, like Australia's, feel deceived; ministers and experts alike can be heard complaining of British doubletalk. First, they point out, the British said they were "merely exploring the possibility of joining," then, that they "won't join unless the terms suit Australia"; now, suddenly, it is at last clear that Mr Macmillan has made up his mind to go in. "Why couldn't the Poms come clean before?" say Australian voices.

Now Mr Macmillan has come clean; on September 10th he made it plain that he saw no alternative to the common market. Winding up the arid common market debate on Monday, a week later, he at last painted with broad strokes the positive tasks—freeing world trade, stabilising commodity markets, distributing food surpluses—which the Commonwealth countries should pursue together in the new era of continental groupings. For the prime ministers, preoccupied with their national interests and grievances, this was going a little too fast; but the experience of the past five years does seem to have shown that it is better to go too fast than to wait for a tide that never comes in.

Certainly this is true on the home front. Whatever the currents of Conservative party politics that have dictated Mr Macmillan's past over-subtle tactics in European policy, the price, rising of late, has been bewilderment and suspicion about the common market in the country generally. British opinion badly needs unequivocal guidance and the plain statement of reasons and intentions. Perhaps, in that case, it is no wonder that Commonwealth opinion is at sea. What one has missed, in the last ten days, from the Commonwealth leaders is an understanding of the plain fact that the uniting of Europe brings a new force into the world—and that Britain's participation is the best guarantee that the force will be steered in the right direction.

A plain statement of Britain's aim happens also to be the best recipe for success at Brussels in the next negotiating phase which opens in October. The bargaining there will be hard, as it should be. But the fallacy has lingered that Britain can get the best terms by appearing a reluctant suitor, not particularly enthusiastic, but willing to be persuaded if offered the right terms on a plate. Mr Gaitskill, it seems, has now wholly succumbed to this mistake. In fact, as his own encounter with M. Spaak in July showed, any suggestion that insular habit and European interest are narrowly balanced in the British mind is not a help, but a hindrance. Those who believe in a larger European union are discouraged, while those (Dr Adenauer and others) who feel that enlargement means dilution are confirmed in their suspicions: the terms either group will offer go down, not up. Mr Heath himself, it must be conceded, has consistently done his best to convince the Europeans that the British Government is wholehearted and in earnest. And wholehearted it has got to be; the Rubicon has been crossed.

Press Empires

The down-to-earth Shawcross commission has found no *deus ex machina* to arrest the concentration of newspaper ownership

ONCE the press had a monopoly; now it has not. Broadcasting and television have broken its monopoly of communicating news and views. In Britain, barely a generation ago, Lord Northcliffe had a bigger influence on opinion and policy through his newspapers than his nephews, Mr Cecil King and Lord Rothermere, or Mr Roy Thomson or Lord Beaverbrook have through their newspapers now. Yet, simultaneously, alarm has steadily grown at the monopolising of newspaper ownership and control. Access to all the range of news and views in print, is still held, rightly, to be the free citizen's fair claim. Nor is concern about the engrossing of the means of communication in a few hands confined either to this crowded small country, with its million-aire national papers, or indeed to the press: in region after region of the United States there is only one newspaper owner (who may run local broadcasting and television as well); and British television, in the present stage of technology, is the preserve of only the BBC (which monopolises sound) and a handful of franchised commercial undertakers.

The business of the royal commission set up in March last year with Lord Shawcross as chairman, which reported expeditiously and sensibly on Wednesday, was with the factors causing the concentration of ownership and control in the British press itself and the effects of this process on the diversity and variety of newspapers, news and opinions. But, whether looking at newspaper economics or at the implications for a free society, the commission could not altogether overlook the wider context of the new means of communication (and of advertising). Its quietest and most marginal, but most thumping, recommendation is that no newspaper undertaking should be allowed to have a "controlling interest" in television. In other words, the tie between Mr Thomson's press empire and his Scottish television should be terminated.

The commission has not found it possible to say anything so thumping about the concentration of the press which, first and last, was its business. The growing concentration of ownership and control in the British press is a documentable, statistical and social fact:

a considerable range of choice for readers is still left but there should, desirably, be more. What can be done to stem the tide? What has been happening to the newspaper industry is common to many other industries. Faced with competition from without (though not, in this case, from abroad) and especially from within (Mr Laurence Scott said the other day, truthfully, that the failure of newspapers was caused by competition from other

newspapers), newspapers have been looking more and more to the economies of large-scale production, organisation and sales. A high-cost and extravagant industry, with the best-paid and most tightly organised of labour forces and with the cost of its materials hugely up, the press has been shrinking—with the consequences, political and social as well as industrial, that the commission had to weigh.

UNEASILY, throughout its good pragmatic report, the commission was faced with the difference between the press as a big industry and the press as a public, essential service in a free country. Plainly it saw that any verdict about mergers and monopoly, in general industrial terms, was beyond its brief. Its escape was that, because the press had a different and non-industrial role, it was reasonable to offer a recipe for its different treatment; yet it could not honestly forget that the press is in fact, whatever else it may be, another big industry. And so far, apart from the restrictive practices court and the monopolies commission—neither of which is applicable to the state of the newspaper industry so far—there is no policy or attitude by the British government for bigness in industry and the bad or good effects of it, in the "public interest."

In fact, though the commission had, inevitably, to try to draw a qualitative distinction between big industry, for which there is no national policy or attitude, and the press, on which a free country ought to have an enforceable view, the effort could not altogether succeed. Of the report's three painfully-reached recommendations on the main issue of making more newspapers capable of surviving, the first is entirely about the industry's efficiency. The curse of the high-cost British press is not, the commission judges, either the bounding expense of newsprint or the narrow funnel of distributive arrangements; it is the over-manning (by trade unions' and proprietors' connivance) of the mechanical, publishing and transport departments of the newspapers themselves. The King newspapers said in evidence that there could be a saving of two-fifths in these activities; the commission's own efficiency witnesses, looking at a sample, put it generally at over one-third. So the recommendation that there should be better and more sensible arrangements across the industry for manning these processes, that there should be a standing body of employers and employed to look not only to this necessity but also to the progressive introduction (with all the right redundancy and retraining arrangements) of the technologically-new and economical devices of printing and distribution that are already coming round the corner, and that both sides in the industry should concentrate collectively on their "essential unity" of future interest, is the best of pious good sense. Whether the adjurations to masters and men to look forward together, and to the Newspaper Proprietors' Association (hitherto the worst of short-term advantage-seeking restrictive bodies) to stand shoulder to shoulder, can in practice be squared is another question.

Continued on page 1084



In the chair

Print without Whitewash

INEFFICIENCY in Fleet Street, the press commission, says coldly, has probably not much bearing on the competitive survival of national newspapers: if every newspaper cut costs, what the weak gained might be dissipated in keeping pace with the extra attractions strong ones could then afford to offer. Nevertheless, incidental or not, the inefficiency seemed to it blatant; nor did the commission accept that it was unavoidable.

Industries like machine tools and ship-building, out of the reported deficiencies of which the press has often made hay, would relish this report:

... there can be no doubt that in the national newspapers manpower is being squandered; if conditions there were to form a pattern for industries which have no shelter from foreign competition, it would be disastrous to the economy of the nation.

Fleet Street inefficiency, consultants to the commission reported, has little to do with the utilisation of materials or with the retention of out-of-date techniques; it derives almost entirely from waste of manpower, and mainly from the waste of some of the best-paid manual workers in the country. The consultants concerned, Personnel Administration Ltd., surveyed the production of the *Daily Express*, the *Daily Mail*, the *Daily Mirror* and *The Times*. They thought the utilisation of editorial and administrative staff fairly good, though they had no previous experience from which to assess, for example, the economic operation of a reporting room. But in actual production of newspapers they found that excess staffing in some departments reached 43 per cent of the labour force.

"Both sides of the industry," said the commission, "seem to us to share the blame for the present unsatisfactory state of affairs." Both the special payments that the consultants considered unnecessary and much of the overmanning will have arisen through negotiated agreements; a good deal of other waste, too, derives from a myriad of special house agreements made long in the past, for reasons "sometimes anachronistic and often fictitious."

Unreasonably large extras paid to the crews actually employed because these fall below standards of staff that would in practice be excessive; the employment of casual labour to an extent that assumes none of the already under-employed staff can ever take on more work than his usual standard; the payment of "ghost" workers who are not there to man presses that may not exist, if a paper runs more pages—these

are symptomatic of a relationship between management and labour which cannot possibly conduce to efficient production and is well calculated to daunt even the most optimistic from attempting to launch a new newspaper.

Managements of existing newspapers, at some time or another in the past, agreed to

all these negotiated elements of inefficiency, and continue to suffer them nowadays. They suffer, also, various restrictive practices on the part of the unions, though the commission's consultants reckoned that these, apart from the special agreements about staffing, are "more an annoyance than a serious influence on costs."

The unions' somewhat Luddite attitudes towards various kinds of new labour-saving machinery, again, were not taken by the consultants as seriously hampering technical efficiency in newspaper printing. But in the publishing departments of the national newspapers, generally the most inefficient department of all, the commission cites an agreement with one union whereby the use of automatic string-tying machinery is permitted only if no redundancy results from it. To do so may mean keeping on ageing men indefinitely, since no redundancy is permitted and there is no regular retiring age.

IN the four national newspapers that they examined, the commission's consultants reckoned that 12 per cent of the current cost of wages and salaries, or 8 per cent of total current costs for the papers, could be considered as "excess"; productive labour alone cost these papers some £2,400,000 a year more than it ought to have done. From a necessarily less detailed study, the commission decided that the distribution of newspapers, though somewhat cumbersome in organisation, works well enough. And it believes that the price of newsprint is not

MANPOWER WASTED IN FOUR NATIONAL NEWSPAPERS

EDITORIAL AND ADMINISTRATIVE (November, 1961)			
	Actual	Excess	Excess expressed as percentage of Actual
Staffing (number) —			
Editorial	404	16	4
Administration	70	8	11
Circulation	64	2	3
Secretarial and Accounts	157	6	4
Totals	695	32	5
Annual payroll —	£	£	
Editorial	608,750	20,750	3
Administration	79,750	6,250	8
Circulation	67,250	1,250	2
Secretarial and Accounts	139,000	5,750	4
Totals	894,750	34,000	4

PRODUCTION AND DISTRIBUTION (September, 1961)

PRODUCTION AND DISTRIBUTION (September, 1961)			
	Actual	Excess	Excess expressed as percentage of Actual
Staffing (number) —			
Composing	265	30	11
Foundry	68	15	22
Machine Room	540	166	31
Publishing	424	182	43
Labour Excess		393	30
Policy Excess		27	2
Management Excess		28	2
Totals	1,297	448	34
Annual payroll —	£	£	
Composing	333,000	25,000	7
Foundry	106,000	26,000	25
Machine Room	626,000	252,000	40
Publishing	453,000	224,000	49
Labour Excess		527,000	35
Policy Excess		29,000	2
Management Excess		50,000	3
Totals	1,518,000	606,000	40

kept high by British suppliers, since imports are formally at least free.

It has to be noted that in these four newspapers, profits of the London offices amounted to 7 per cent of the total revenue; in the national press generally in 1960 it amounted to 13 per cent of revenue for the four quality morning papers and just under 2½ per cent for the popular papers, where the *Express* and *Mirror* are lumped in perhaps incongruously with the *Mail*, *Herald*, and *Sketch*.

On the income side of newspaper accounting, the report shows that in 1960 advertising represented 73 per cent of the total revenue of quality morning newspapers but only 45 per cent of the revenue of popular dailies, with similar figures for those of each class appearing on Sundays; for provincial weeklies and technical periodicals it reached nearly 80 per cent of total revenue. The net revenue from advertising, after covering costs directly attributable to it, represented fivepence a copy for quality dailies and a halfpenny a copy for the populars.

THE commission's analysis of newspaper economics does not follow new lines, though in the report itself and still more no doubt in the nine volumes of oral and documentary evidence it illustrates the reasoning with fuller and more up-to-date figuring than ever before.

It notes that the quality press gains protection from the competition of the mass dailies because its better-heeled readership allows it to charge advertising rates some four times as high, and also, less obviously, because its first-copy costs are lower. This seems partly due to higher managerial costs in running the bigger newspaper businesses, and some extra costs through printing in more than one centre; but mainly perhaps due to lower editorial costs in the quality press which strains less to be first, or exclusive with news and pictures.

No such protection is available to weak competitors among the popular press, either daily or Sunday papers. Such a competitor, well below the leaders in circulation and hence unable to offer advertisers the economical assortment of potential buyers, can take two courses. It can try to match the editorial attractions and the millinch rates of its successful rivals, regardless of short-term losses; this was the way to perdition that the *Sunday Dispatch* chose. Or it can try to economise and keep losses to a minimum, steadily offering both readers and advertisers less; the *News Chronicle* followed this vicious spiral down.

Neither policy pays off; and the commission, like the battered brains of Fleet Street, can discern no other more likely to succeed. The commission accepts the verdict of its successful rivals (and those for whom the bell has not yet been tolled) that the *News Chronicle* died through inefficient management and uninspired editorial policy. Pots call the kettle black. In Fleet Street, all papers are inefficient, but some, crucially, are more inefficient than others.

Continued from page 1082

The real question is whether any parsnips can be buttered this way. Obviously the commission is right in the conviction that the newspaper industry can be saved, socially and politically as well as industrially, only by its own self-help. The diagnosis is straightforward: "Although in our opinion the public interest is not being seriously injured by the present economic situation of the press, the future effect of the various economic pressures must cause grave anxiety." And the prescription is frank: "There is no way to success but through the quality of management and editorial direction. Legislation cannot produce these qualities."

The commission did earnestly canvass possible ways of forcing the British press to be free (and viable). The ways suggested were either by fiat or fiscal pressure (to alter the terms of newspaper competition). Regulations to limit the larger circulations, to restrict the worth or space of advertisements (on which all free newspapers decisively depend), to limit the numbers of newspapers or periodicals in a single grip—all these the commission rejected as arbitrary and doing wrong to the right of publishers to publish and of readers to read what they want. The commission dwelt only for any long time on the ingenious devices put before them to alter the offending trends in sales, revenues and ownership by discriminatory taxation. Indeed, commenting on the Kaldor-Neale scheme for a percentage levy on newspapers' advertising revenue, rising with circulation, the report says that:

There can be no doubt that a scheme of this kind could be made to change the market forces affecting newspapers in a way which would provide more opportunity for the survival of a number of independent newspapers and also give some encouragement for the establishment of new ones . . . the penalties of a large circulation can be made prohibitive at whatever point is selected.

HERE, on the face of it, seemed to be the answer to the commission's prayer: how to stop the rot? Why, then, was it, unanimously, turned down? Simply, the answer is that the commission was unwilling to throw out the baby with the bathwater. Two of the commission, including the chairman, thought it wrong "to use statutory devices deliberately discriminating against those which are achieving commercial success in the hope of assisting those which are not": you cannot strengthen the weak simply by weakening the strong. The rest of the commission, while rejecting these and other schemes for rejigging the conditions of press competition, could see circumstances where discrimination might be desired in the public interest. All were against putting the economic viability of every newspaper, and of all the press, within arbitrary and contingent parliamentary and political control; all were impressed by the fact that, on this device of a discriminating tax on advertising,

the view of the publishers of those newspapers which might have been expected to benefit was that in fact it would do them grave harm.

What, then, could the commission suggest, zealous as they were not to penalise success but to give new life to the smaller vessels in the race? One view runs through the report:

There is no acceptable legislative or fiscal way of regulating the competitive and economic forces so as to secure a sufficient diversity of newspapers. The only hope of the weaker news-

papers is to secure—as some have done in the past—managers and editors of such enterprise and originality as will enable these publications to overcome the economic forces affecting them.

The commission does not leave it at that. Its first recommendation, already mentioned, for greater co-operative efficiency is designed to give all sorts of papers a better start in the race for survival—though the commission recognises that even with better conditions of cost and competition the more strongly efficient papers will tend always to do best. To this the commission adds two other major prescriptions. Both are intended to aid the growth of a better and more lively press by harnessing the help of public opinion—which, after all, is the arbiter—by publicity and by scrutiny, and in the last resort by judicial sanction or veto.

LORD SHAWCROSS and his colleagues would strengthen the newspapers' own ham-strung cover-organisation, the Press Council, set up after the first royal commission on the press thirteen years ago (and run by its over-pressed heads with an honest zeal ever since) and charge it with three tasks: first, to scrutinise and publicise all changes in the ownership and control of newspapers and periodicals; secondly, to keep up to date and publish all the relevant information about this process put together by the commission; and, thirdly, to enforce the commission's requirement that all newspapers should tell their readers who controls them. Finally, and most important, the commission recommends the setting up of a Press Amalgamation Court, composed of high court judges and lay members, with the task of scrutinising future press mergers, and approving or refusing them "in the public interest."

In 1918 the Colwyn Committee recommended that there should be no future amalgamations of joint stock banks without the government's consent, though this was given only voluntary not legislative effect. Last May, at the annual assembly of the International Press Institute in Paris, Lord Robbins suggested that this principle should be applied to the press. This is, in effect, what the commission's proposed tribunal would do, with statutory force: it would scrutinise all purchases of daily or Sunday newspapers which are still going concerns, and require the applicants, if circulations of over 3 millions are involved, to prove either that the freedom and variety of opinion would not be reduced by the proposed transaction or that these would be more reduced by refusing the transfer than by allowing it.

To say that this was the best the Shawcross commission could do is to praise not blame it. What criteria of the public interest the new court could work out, meeting only very episodically when the press crises came, is cloudy enough. Its province, like that of the commission itself, is only just one bit of two larger and inseparable problems: the problem of big industries in a free society, on the one hand, for which there is still no British policy; and the problem, peculiar to a free society, of the conduct and control of all the modern means of popular communication, of which the press is only, if still the essential, one. The virtue of the Shawcross commission is that it has been at any rate dimly aware of the world we live in. The rider to its report must be that not only the press but also all the other vehicles of news and views must be as free and as diverse and as varied as we can, viably, make them. This is a test of our twentieth-century freedom.

A Minority Government?

How should the Liberals act if they held the balance of power in Parliament after the next election?

A REPORT from our special correspondent at the Liberal Assembly appears on page 1095. One reason for watching this year's assembly with special interest has not so far been mentioned at Llandudno. What new rules should be devised for the Government of Britain if, after the next general election, the Liberals should hold the balance of power in Parliament?

A minority government of this sort must now be regarded as a reasonable possibility. It would be likely to come about—the statisticians tell us—if the Liberals won between 30 and 40 seats at the next election, and if simultaneously the net swing from Conservative to Labour compared with 1959 was between about 2½ per cent and 4½ per cent. (A swing of under 2½ per cent would be likely to leave the Conservatives in power with a majority of more than 40 over Labour, a swing of over 4½ per cent would be likely to give Labour a majority of more than 40 over the Conservatives.) Some psephologists have said that any election which gave the Liberals any substantial number of seats would almost inevitably mean that the net swing against the Tories would go much higher than 4½ per cent. But at this year's by-elections—to quote statistics for the last time in this article—the average net swing from Conservative to Labour has been about 7½ per cent. If about half of those who have deserted the Tories in recent by-elections returned to them in a general election—and if simultaneously more Labour voters in hopeless Labour seats turned to the Liberals—then a minority government would be statistically quite conceivable. There would be a real possibility of something near to a dead heat between Labour and the Conservatives in the House, and the small Liberal parliamentary party might then have to decide whom to put into power—and whom to keep there.

So far there has been remarkably little public discussion of the tests that the Liberals should apply in making those decisions. Here then, as a cockshy for discussion, are the tests that *The Economist* would like to see them adopt. The first question posed for the Liberals—namely, whom to put into power—would almost inevitably tend to be determined by three factors, but in our view they should be weighed in the following order of importance. First, which party—Conservative or Labour—the Liberals felt would be most likely to carry out the sort of policies in which they believed. Secondly, which party—Labour or Conservative—had won the bare majority of seats over the other one in the House. Thirdly—politics being what they are—which party would cause least loss to the Liberals if they allowed it to form the government. This last question would be very difficult to answer. If by their parliamentary votes the Liberals permitted a Tory government to stay in power, there would be a danger for them that floating voters who got cross with that government would come to regard the Liberals as no different from the Tories; but if they put a Labour government in power and floating voters got cross with it, then very many of the

former Tories who have recently been voting Liberal would be likely to flock straight back into the Tory fold.

It may be because this last calculation is so difficult to make that Mr Grimond has recently seemed to suggest that the test he would apply might be the pure mathematical test: namely, which big party had won the most parliamentary seats at the election. This would be a dubious constitutional doctrine. It would also throw away the Liberals' best chance of affecting the way that Britain is governed; and if they do not want to affect the way Britain is governed, what are the Liberals in politics for?

That is why, in our view, the first test—the test of which party would seem most likely to follow Liberal policies—would be the right main one for Mr Grimond to adopt. At the moment it might seem that this test should boil down to judging which party would be most likely to bring Britain into the common market; but, in fact, by the time of the election that issue might well have been decided. The right main tests might therefore be: first, which party do the Liberals think would do most to carry out an expansionary economic policy; or, secondly (this is the test which, in these hypothetical circumstances, we ourselves would like to see applied), which party would be most likely to make Britain into a force that would try to influence the European Economic Community, of which Britain should by then be a member, into becoming an outward-looking, freer trading group rather than an inward-looking, self-protectionist block?

SO much for the initial question that Mr Grimond would have to face. It is a question that can be posed only in the most hypothetical terms as yet, because nobody knows for certain what the main desiderata of policy by that time might be. But the second problem—that of drawing up new ground rules for deciding in what broad circumstances the Liberals should feel justified in throwing a minority government out—deserves to be pondered in greater detail in advance.

In our view there are three main differences between the practice of British government today and practice in 1929-31 when the country last suffered from a minority government. The new ground rules about which the Liberals should be thinking need to be derived from them.

First, the central government today spends over £7,500 million a year, or over 30 per cent of the national product; in 1929 the central government was spending well under £1,000 million a year, or under 20 per cent of the national product. It has been an enormous advantage to Britain—unconventional though it may seem to be to say this—that the distribution of this huge spending is not normally determined by direct parliamentary vote. In the United States and other countries the votes of individual congressmen or senators can decide the fate of millions of pounds worth of public money; this can lead to appalling political log-rolling, and sometimes to open corruption. Britain has been spared this, and if a minority government in Britain brought it back it would be a very retrograde step for the future of British government indeed. It would destroy at its most delicate point the balance between informed civil service decision and political pressure

for popularity, a balance on which the reasonably efficient parliamentary government of this country has quite largely rested in recent years.

The self-denying ordinance one would like the Liberals to adopt is, therefore, to undertake that, if they became the balancing force in Parliament, they would not vote against the Government on any issue of confidence where the effect of their vote would be to direct more public funds towards any particular group or individual interests. This might seem to be a lot to ask from them. It would mean that they might find themselves constrained, say (under a Conservative government), not to vote for more money for nurses or teachers or, say (under a Labour government), not to vote for more tax reliefs for industry, even when they felt that such disbursements and reliefs would be the just and sensible things to support. But unless they made some such hard and fast rule the floodgates to weak and pressure-group-ridden government in Britain could be opened very wide indeed.

The second big difference from 1929—again it may seem strange to pick this out—is that it is nowadays generally much easier to forecast what the result of an immediate general election would be. The techniques of public opinion polls and of analyses of by-election swings are much further advanced; there seems also, at least temporarily, to have been a hardening of the tendency for governments to become unpopular in the middle of a parliamentary term and rather more popular towards the end. This would provide a great incentive for the Liberal party to decide to precipitate a general election at whatever moment seemed most convenient to it.

The Economist

SEPTEMBER 20, 1862

FEDERAL DEFEATS

The last accounts from America are disastrous in the extreme for the Washington Government and the States it represents. The position of the Northerners has become one of great peril. A series of bloody and terrible defeats would appear to have placed them almost at the mercy of their adversaries. Their armies have been everywhere driven back after severe fighting and with heavy loss; all their Generals one after another have been beaten and discredited; and their capital is threatened with immediate capture and possible destruction. The Confederates appear to have crossed the Potomac; by this time they are probably in full possession of Maryland, and are in a position to attack Washington from the North and Philadelphia from the South. As our readers well know, we never believed in Federal success, but we were not prepared for such signal and decisive Federal failure. The subjugation of the South we always felt convinced was an utterly impracticable enterprise; but we certainly never expected that it would be in the power of the South to dictate the terms of separation as well as to insist upon the fact of independence. Yet this issue of the contest seems now to be far from improbable. The most experienced and best trained troops of the Federalists, those who have been disciplined and practised by twelve months of incessant warfare, have been worsted after a number of pitched battles contested with unusual obstinacy; they have been dreadfully cut up and something much more than decimated; and the 300,000 or 600,000 volunteers whom the President has called for are mere raw levies, from whom it would be simple madness to expect results which the comparatively veteran soldiers of McClellan have been unable to accomplish. If now brought into the field, they can do little but add to the fearful slaughter already undergone. The first reflection suggested by this series of startling events is the inefficiency of mere power against skill and resolution. It is obviously of less consequence to have vast resources than to know how to handle the resources you possess.

Obviously it would be impossible for the Liberals to promise in advance never to avail themselves of any such opportunity. Nobody would believe them if they did. But they must know in their hearts in which circumstances it might be right, and in which it would be wrong, for them to act thus to throw an unpopular government out. If the Liberals had held the balance of parliamentary power in either 1947 or mid-1951, when the Labour government's economic policies had plainly broken down, it would have been right for them to withdraw support from the government; withdrawal of support would also certainly have been right in late 1956, when the Tory government's foreign policy had broken down at and after Suez; possibly (but much more arguably) it might also have been right early in 1962, when the Tory government's economic policy appeared to have got stuck in stagnation. But it would not be right for the Liberals, if they held the balance of power today, to throw out the Tory government at a moment when Britain's entry into the common market is the main objective of government policy (and one that the Liberals happen to support); nor would it have been right to eject the Tory government in early 1958, when the main bone of political contention was a government measure to raise rents which the Liberals knew to be economically beneficial for the country. One of the safety valves which makes the British system of government work with reasonable success is that cabinets are able to carry through unpopular measures in mid-term and then go to the country when the popular fruits of those unpopular policies have become evident. The Liberals should say now that, if they were to hold the balance of power after the next election, they would not work to slam that safety valve shut.

The third big difference from 1929 is that executive acts are now a more important part of government, and the preparation of legislation a relatively less important one. This would make the functioning of a minority government much more difficult. It is generally easier to arrange in advance that reasonably bipartisan legislation will be introduced than it is to make sure that a Home Secretary will not act with crass insensitivity towards some individual deportee or that the Ministry of Agriculture will not act with petty tyranny over some Criche Down. Once again, if the Liberals held the balance of power in the next Parliament, they should make it clear that they would act to eject a government only if its policies had clearly broken down, rather than vote against it on a motion of censure in revenge for some individual ministerial *sottise* (which is not to say that, after several such *sottises*, they should not make it very plain that they believe the individual minister should be quietly replaced).

Some people may say that there has been something very premature in this pulpit-preaching to the Liberals. But there has been a good reason for writing this article at this stage in this Parliament. When the next election comes many people who might be considering casting a Liberal vote will have to weigh the possibility that they might thereby help to put either a minority Conservative government or a minority Labour government into office. In such circumstances the question whether to vote Liberal could reasonably depend on whether a Liberal balancing force would be willing to operate under some such ground rules as those suggested here—and on whether Mr Grimond will be willing to promise this publicly, specifically and well in advance.

NOTES OF THE WEEK

POLITICS AND THE MARKET

Swing to the Conservatives

THE first political consequence of the Commonwealth prime ministers' conference was that a National Opinion Poll in the *Daily Mail*, taken immediately after Mr Gaitskell had pinned his colours to the Commonwealth's mast, told the Tories that they seemed likely to win the forthcoming Chippenham by-election by a much bigger majority than they had so far dared to hope. For Labour, this report of an apparently sudden Conservative recovery must have an ominously reminiscent ring. In each of the last two Parliaments the swing-back of missing voters to the Tories started abruptly as marginal voters waxed frightened or indignant at some highly-personalised scarecrow symbol with which Labour had somehow got mixed up. In 1952 the swing-back was set in motion by Mr Bevan's sensationalised triumph on Labour's national executive at Morecambe. In 1958 it started with Mr Cousins's bus strike. There had been lively speculation among political commentators about what scarecrow the Labour party could possibly manage to jump into bed with this time.

Few had foreseen that the scarecrow might take the form of a planeload of Commonwealth prime ministers who had come here to jib against Britain's power of independent policy-making in a way that some of Britain's marginal voters were bound to resent. It is still, of course, far too early to say that the scarecrow is now definitely in place; but much of the comment about the political risks that both party leaders are running has so far been missing the point that it is on the ground swell among floating voters' opinion—immediately, in these next few weeks—that the whole future history of British political alignments may depend.

Mr Macmillan's Scarborough

IN a sense, the struggle at Marlborough House may now have put Mr Macmillan into much the same position within his own party as the bold fight at Scarborough left Mr Gaitskell in two years ago. When Mr Gaitskell turned to refute his left wing at Scarborough, many commentators said that his party, so far from gaining, would break up; and so it might have done if, after and because of Scarborough, the recovery in Labour's electoral fortunes had not become so obvious. To the left wing's great surprise. The Tory leaders are in a difficulty at this potential new turning point because they obviously will not be so irresponsible as to

try to keep on the boil any tactical campaign of simmering resentment against the Commonwealth leaders, within the Conservative party of all places—as they fairly could and did against Mr Bevan and Mr Cousins after 1952 and 1958. But the National Opinion Poll's Chippenham forecast does re-emphasise two familiar points.

First, the scarecrows that swing elections do not have to be disliked by a majority of the whole country, but only to rouse sufficiently strong objections among some segments of middle of the road opinion to make them change their votes; that is why Mr Cousins was such a vote-loser in 1958-59 (although a majority of the country did not necessarily dislike him), and also why this year's immigration restrictions were an electoral liability to the Conservatives (although a majority of the mass electorate at first thought they were a very good thing). Secondly, it will be an easily explainable paradox if Mr Gaitskell now proves to have damaged his electoral chances mainly by pushing people back to the Conservatives not from his own party, but from the Liberals; because it was to the Liberals that most former marginal Conservative voters had recently floated, until some of them were given this last fortnight's new reason for not wanting to let a Labour government in.

Poor Mr Gaitskell is also unlikely to be helped at this juncture by the classic if ephemeral lunacy of the National Union of Railwaymen in deciding to protest against the closing of unnecessary railway lines by bringing all railway lines to a stop, in a one-day strike, next Wednesday week.

DEFENCE POLICY

Recce Patrol

MR THORNEYCROFT went to the United States on September 9th with one main hope and one chief fear, and in the event neither of them seems to have been realised. The hope—a perennial one of British ministers of defence—was to persuade the Americans that certain jobs in the field of military research and development should be reserved for Britain; the idea being that Britain could then sell the resulting weapons to the members of the western alliance without the bother of American competition.

No doubt, in the best of all possible alliances, this is what "interdependence" would mean. But Mr Thorneycroft's opposite number in the United States, Mr McNamara, has a balance-of-payments

deficit staring him in the face, and an armaments industry eager for orders breathing down his neck. Mr McNamara's reply, in effect, was that it was a good idea in principle to divide the research and development cake between the allies, but that putting the principle into practice would be jolly difficult. Mr Thorneycroft had to come home on Monday content with a promise that officials of the two countries should review the problem from time to time; he does not even seem to have got any hard American commitment to buy British vertical take-off aircraft—the best potential British corner in the market at the moment.

Mr Thorneycroft's chief fear, on the other hand, was presumably that Mr McNamara would seize the opportunity to say out loud that Britain has for long been paying too much attention (and money) to its nuclear arm, and too little to the conventional defence of Europe. In the event the Americans politely said that the British V-bombers were a splendid force, and that no doubt Britain could quickly reinforce its army in Europe, in a crisis, by sending over its home-based strategic reserve division and by mobilising extra men. This is courteous, but it does not really get to the nub of the problem of Britain's defence relationship with continental Europe. Mr McNamara probably reflected that he could hardly say any more while Britain was still entangled in the common market negotiations; and that, anyway, Mr Thorneycroft has already taken some sensible steps towards righting the balance of British defence policy since he came to office two months ago.

YEMEN

Death of a Poet

IMPENETRABLY shrouded from outsiders, the Yemini royal family rule their rugged kingdom and intrigue against each other. On Wednesday the Yemini radio let it be known that Imam Ahmad was dead (when he died was not disclosed) and had been succeeded by his eldest son, Prince Mohammed el-Badr. It is thought that the old Imam had never fully recovered from an attempt on his life about eighteen months ago; before then, he attended personally to all such details of management as (in the words of a Yemini exile group in Cairo) the allocation of a beast of burden to an official, visas, imprisonments and executions. In succeeding him, Prince Badr must have been quicker on the draw than his uncle Prince Hassan (the former Naib of Ibb) who had been favoured by the tribal council of succession. But the new Imam's family troubles may only now be beginning: his father, on various occasions, found it expedient to execute three other restless uncles.

Imam Badr, who is 35, is believed to have

been the moving spirit in pressing for federation with United Arab Republic in 1958. But there is no evidence, yet, to suggest that he shares President Nasser's views on anything except the need to uproot British influence from southern Arabia. The link with this singularly feudal and unenlightened realm was always an embarrassing nonsense to Egypt, and President Nasser welcomed the chance of dissolving the federation in December, 1961, after the late Imam had published a long and stately poem attacking socialism as irreligious. The new Imam has in the past spoken fiercely about the curse of imperialism in Aden and the neighbouring sheikhdoms. But it is highly improbable that dissident Adenis or others would welcome support from so suspect a source.

SYRIA AND EGYPT

Shield against Seduction

SIDESTEPPING the anxious uncertainties of new elections, Syria has slipped back into constitutional life. Last week the new prime minister, Mr Khaled Azm, was playing host to an unemployed and homeless parliament; this week, he was able to announce a broadly based cabinet, and the deputies slid into their old seats in the legislative chamber. How long they will stay there is a bit vague. At one of those curious sessions in Mr Azm's own house, the deputies voted for an amendment to the 1950 constitution which would make their dismissal constitutionally possible. If this should happen, elections would have to be held within a year.

Few of Syria's better known political leaders have been tempted to join Mr Azm's cabinet. Possibly they expect the next change to come soon rather than later. But the prime minister has been remarkably successful in drawing in representatives from all shades of political opinion—Nasserists and communists excluded. His government includes, for instance, three ministers from the right-wing Moslem Brotherhood and three members of the split Ba'ath Socialist party (two from Mr Haurani's faction, one supporter of Mr

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Aflaq). Stability is the theme of the day: indeed, with so many strands pulling in contrary ways, it is a little difficult to see how the government, even in Mr Azm's authoritative hands, will be able to move far in any direction at all.

The only cohesive force in the new government is the united determination to fight back at Egypt. The prime minister's ambition is to clear the country of Nasserist plots and planners and so bring about the climate of political security that might encourage economic investment. Significantly, the new ministers of foreign affairs and finance were the joint leaders of the delegation that presented Syria's case against President Nasser at the celebrated Arab league meeting at Shtaura. Possibly they are both better briefed on the sins of the Egyptian seducers than on any course of action that might make their own countrymen impervious to President Nasser's overtures.

Balm for the Seducer

WITH Egypt still staying away in a huff, the Arab League council met at Cairo last weekend and reappointed the Egyptian secretary-general, Mr Hassouna. Syria, Jordan and Saudi Arabia turned up apparently determined either to block Mr Hassouna's reappointment, or at least to keep his new term short. But on September 15th, the secretary-general was unanimously appointed for his third full term of five years. Mr Hassouna is respected for his conscientious labours to minimise, and sometimes even to overcome, the disunity among the league's members. Few could do an unenviable task more skilfully, especially at this time of mounting trouble. The Egyptians, who provide a quarter of the league's budget, are making the most of their displeasure over the Shtaura meeting. Demanding satisfaction, they may not find Mr Hassouna's reappointment balm enough. The Syrians, for their part, do less than justice to the secretary-general's capabilities when they explain their change of heart: the alternative to Mr Hassouna, they say, was another Egyptian—so what was the point of fussing?

TRADE UNIONS

Mr Gunter Speaks Out

A TRADE union leader has at last made one of the speeches on union reform that should have been made at the Blackpool Trades Union Congress. The hero of the occasion is Mr Ray Gunter, MP, who wears two hats. The first hat—which makes his speech an important one—is as an Opposition front benchman who would probably be Minister of Labour in any Gaitkell government. The second hat—which makes his speech a bold one—is as president of



Big hat, bold hat

the Transport Salaried Staffs Association, a union which, with 87,000 members, would *prima facie* stand to be shoved around (on this week's showing, unprogressively) by the National Union of Railwaymen (317,000 members) if logic were to be brought into the field of railway unionism. This week Mr Gunter put his criticisms of the existing trade union set-up in the form of what a future Labour government would hope to see; it is striking how this corresponds to what a Tory—or any other—government would welcome.

Mr Gunter suggests that the unions should co-operate in a national incomes policy; should change present methods of collective bargaining so that weak groups of workers as well as the strong should get a fair share (this, presumably, means that dockers should not jump guns on nurses); above all, unions should sacrifice some of their sovereignty over wage claims to the general council of the TUC. If a nation spends more than it earns, said Mr Gunter, it is in dead trouble. It would be churlish to rub in the extent to which all this corresponds with what non-TUC people have been saying for years now: what is needed is a hearty welcome for its being said from such a source. But now, please, would Labour start to say more cogently just what government action it would support to help bring such changes into effect?

CAR TESTS

One-Plus

MR MARPLES this week confirmed his intention of steadily extending the mechanical fitness tests that are now

required for the use of vehicles over 6 years old. By the autumn of 1965, he said, even cars that are only one year old will have to be submitted to an annual fitness test. He has thereby raised a storm of protest from the motoring organisations and from private motorists who object to the prospect of higher garage repair bills. It is a protest of no avail, since Mr Marples is a man of iron determination, whether he be right or wrong. Moreover, in this case one has come to believe that he is right. All modern cars do not leave the manufacturers, as some protesters have claimed, in such a condition that they must automatically still be safely roadworthy a year or eighteen months later. Spot checks at the roadside have shown that, on the contrary, many a new car may be a danger to its driver and other road users; of the cars so tested aged between three and five years, nearly a quarter have proved to need some adjustment (usually to their brakes or lights or steering), before they should be allowed out on the roads again.

When the inspection scheme was started, it seemed that there might be two great drawbacks to it. One was that it might drive all old and cheaper cars off the road, thus making it less possible for any but the well-to-do to have cars; this has not happened, and in any event it would not be an argument against extension of the test to newer cars now. The other was the suspicion that the garage trade would not always behave honestly, and that a certificate might be refused in order to contrive trade and a repair bill where none was necessary. In practice these suspicions, too, have proved to be exaggerated; indeed, the opposite fault is too often committed, and garages can nearly always be found to give a certi-

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ficate on the strength of a casually conducted inspection of some quite unsafe old creak. Nevertheless, the fact that service stations will continue to conduct the tests remains the weak spot in what is otherwise a perfectly reasonable scheme: there can be no set standard of adequacy common to 14,000 garages, and no set procedure among the numberless mechanics who perform the test (and who are not much helped by the testers' manual, which is marvellously vague in parts).

To produce anything like a uniform standard, government testing stations would have to be built (they exist in some other countries) and government testers trained to their specific job, which ought then to become a more thorough process than is now demanded. Such a nucleus of government testing stations (there need not be more than 100, in large centres—with a smaller list of authorised garages still doing the job in other parts of the country) would remove much of the resentment of motorists and provide them with some tangible result for money spent on what most of them, despite their cries, recognise as a desirable safety measure.

PREPARATORY SCHOOLS

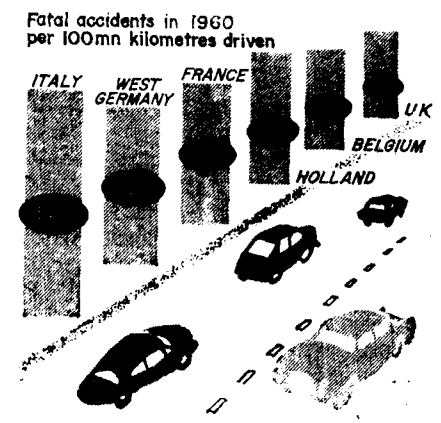
First Push?

AFIRST tiny but most welcome sign appeared last weekend that preparatory schools—the youngest (7 to 13 year olds) end of the private and fee-paying system of boys' education in Britain—may be feeling the push of recent improvements in the state system. The headmaster of Winchester, Sir Desmond Lee, told the annual conference of the Incorporated Association of Preparatory Schools that more private schools should be teaching science: state schools, he pointed out, start teaching science subjects at the age of eleven. The prep schools, said Sir Desmond, will not get graduate science teachers—they cannot pay enough—so it might be necessary for them to take teachers from training colleges (which would certainly do something to democratise the normal old-boyish methods of selecting prep-school masters). He suggested that science should be a non-examinable course designed to instil elementary principles of scientific observation, and that time to teach it should be taken from that at present devoted to languages.

The prep-school masters' chairman, for his part, put forward a good argument why not much time is likely to be made available for the type of non-examinable course recommended by Sir Desmond. He complained that the fierce competition to get boys into famous schools like Winchester was in danger of turning private education into a high-pressure rat-race for examination results; the traditionally non-vocational—and therefore gentlemanly—virtues of private education are, in fact, being

ROAD ACCIDENTS IN EUROPE

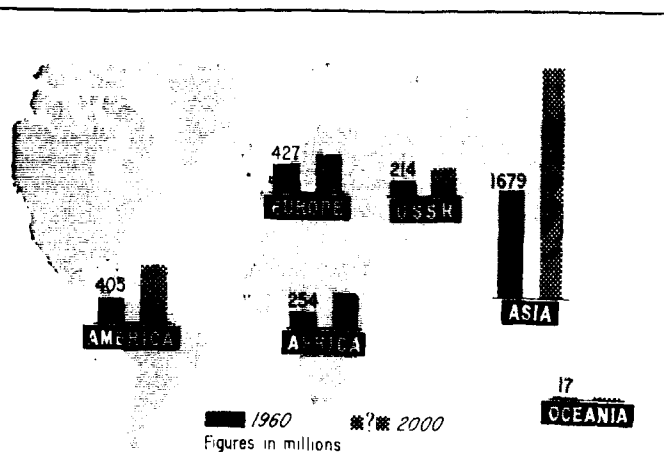
British roads are the safest in Europe. A study recently published by the Economic Commission for Europe shows that the number of people killed on the roads in 1960 was highest in west Germany—14,109—followed by France, Italy and then Britain. If these figures are related to the ECE's estimate of the mileage covered by all types of vehicles in the principal countries of Europe, the incidence of accidents proves to be much higher in Italy than anywhere else, and to be lowest in Britain—except for Denmark, which has a much higher proportion of motor cycles and mopeds in its traffic than other European countries. Driving habits seem to count for as much as anything in determining the number of accidents.



People in the World

After increasing by nearly a fifth over the last decade, the world's population has now topped 3 billions* and it will have doubled by the end of the century if the same rates of growth continue. There will then be more Asians than there are people in the world today.

* Source: Demographic Year Book for 1961 (United Nations).



AFRICA

A Going Concern

WHATEVER other Africans may say about true independence and neo-colonialism, the French-speaking ones know they have a going concern in their Union Africaine et Malgache (UAM). The twelve heads of the member states met in darkest secrecy at Libreville, in Gabon, last week, in the flattering presence of candidates for membership of their club and wayward brothers seeking to return. Among the former were representatives of three former Belgian possessions—the Congo and the newer republics of Rwanda and Burundi. President Sékou Touré of Guinea sent a personal emissary; and the heads of state were even said to be taking note of inquiries about terms of entry from the Somali Republic, which does not, as the former Belgian territories do, use French as an official language.

Some of the decisions taken at Libreville are known and others have to be guessed. After hearing the views of the Congolese government and of Mr Tshombe's man, the UAM came down emphatically in favour of U Thant's plan for bringing Katanga into a Congo federation. The wording of resolutions attacking Portuguese colonialism and South African behaviour was strong enough to have been drafted by the ostensibly tougher governments that belong to the just now curiously quiescent Casablanca group.

Less is known of the decisions which the UAM is believed to have taken about its members' relations with France. These clearly need to be re-defined. The original institutions of the French Community have fallen into disuse; some of the original members, such as Gabon, still claim to belong, and others, like Cameroun, never joined. French aid and support continue, none the less, on a bilateral basis, and relations with the former metropolitan power are as happy as they could be. The most likely report from Libreville is that the twelve are proposing the formation of a

NOTES OF THE WEEK

"high council of co-operation" which would deal with issues common to the UAM and France. Some such body seems bound to emerge soon, and the French would rather the initiative for creating it came from the Africans.

COMMUNIST WORLD

Growls from Peking

NEXT Monday the Soviet president, Mr Brezhnev, will begin an official visit to Yugoslavia, the much delayed counterpart to Marshal Tito's visit to the Soviet Union in the summer of 1956. In the interval relations between Moscow and Belgrade have not always been harmonious, but the past year has seen a steady improvement. The Russians have made most of the ruminating. The Yugoslavs, fortified by the success of their efforts to carve out a distinguished niche for themselves among the uncommitted countries, have responded cordially. But it has been a carefully rationed cordiality. When he meets his Russian guest, Marshal Tito can fairly claim to have made his point that friendly relations with the Soviet Union (or with the western powers) do not weaken Yugoslav independence.

His claim is not accepted in Peking. Last Monday the *People's Daily* published a full-dress attack on the Yugoslavs in the form of a commentary on an interview that Marshal Tito gave to Mr Drew Pearson on August 7th. The Yugoslavs are described as renegades from marxism-leninism and faithful lackeys of the American imperialists. They are accused of holding that the class struggle is coming to an end everywhere, and that revolutions are no longer necessary; of making no distinction between the socialist and the capitalist countries, and of advocating world-wide economic integration. But what seems to have irritated the Chinese worst of all is Marshal Tito's sympathetic analysis of Soviet foreign policy and his claim that the Soviet Union had a "pacifying" effect on Chinese policies; his remark to that effect is described as nonsense and an attempt to make trouble between China and the Soviet Union.

Whatever effect Marshal Tito's remarks may have, it is certain that articles like this in the Peking *People's Daily* will do nothing for relations between the Chinese and the Russians. Both its timing, shortly before Mr Brezhnev arrives in Belgrade, and its contents strongly suggest that its barbs are directed just as much at Mr Khrushchev as at Marshal Tito. Evidently the Chinese are still angrily brooding over their disagreements with Mr Khrushchev, while still avoiding, for the moment, a public row.

INDIA AND CHINA

Hot and Cold

IN Mr Nehru's absence, his spokesmen in New Delhi have blown hot and cold over the latest Chinese incursion into Indian

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territory, which took place last week. On Sunday they were talking of an ominous build-up of Chinese forces and saying this latest challenge could not be allowed to pass uncountered. On Tuesday Mr Krishna Menon, the defence minister, told the press that action would be taken "when something serious happens" and officials were making it plain that the newest incident did not meet this definition.

There are nevertheless two interesting points to note. One is that this time the Chinese have moved into Indian territory behind the McMahon line, on the section of frontier east of Nepal. The previous test of strength was at the western end, in the Ladakh area of Kashmir. There the Indians, in April, set up camp behind the Chinese lines in disputed territory, and the Chinese, in turn, set up seven new military posts in July, along what they have claimed as the international border since 1960. This game of tit for tat could go on for a long time without a real clash of arms.

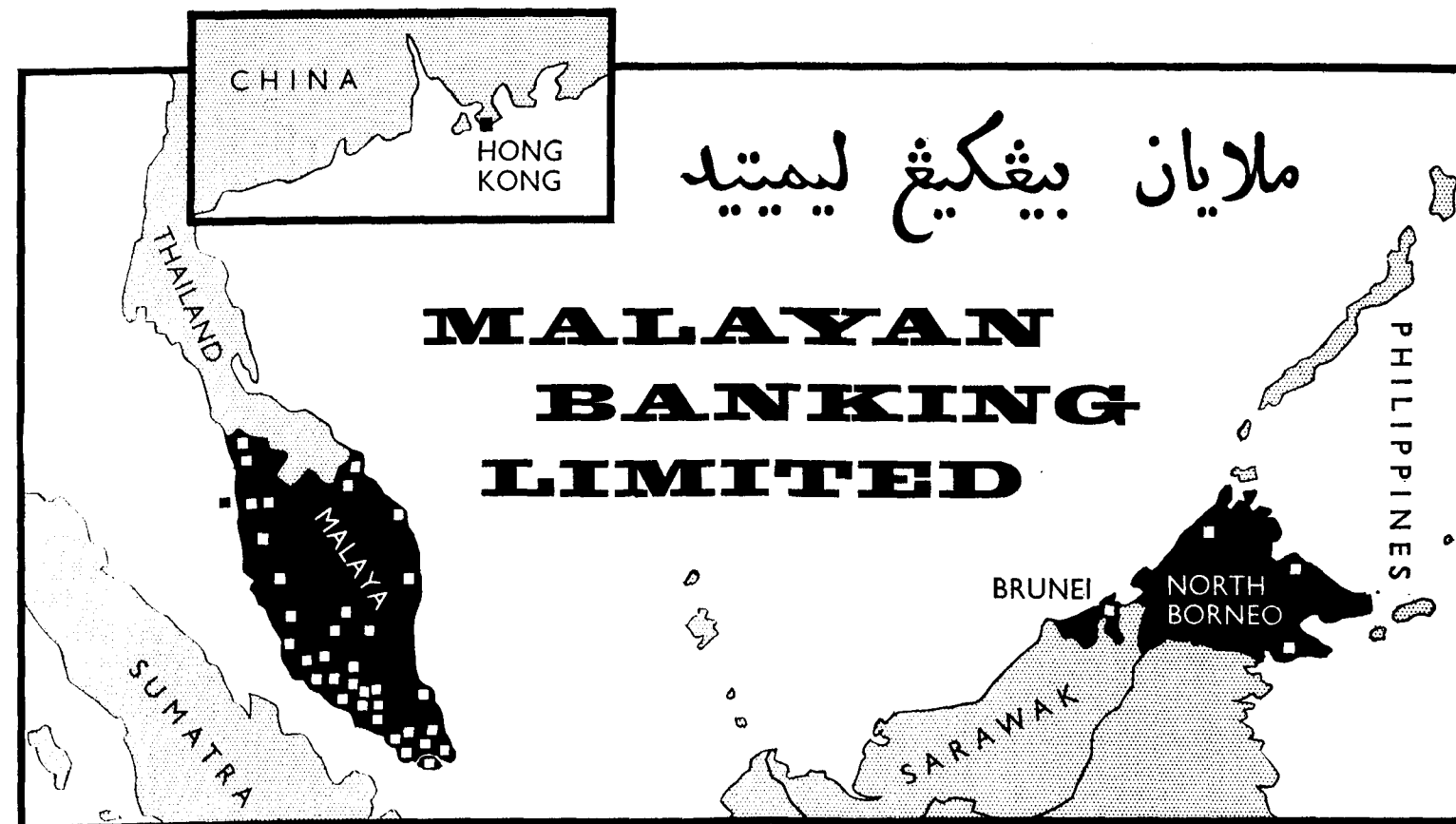
The other interesting thing is that the latest move on the western border appears to be Peking's way of answering the conciliatory Indian note of July 26th, which offered to negotiate without prior conditions—that is, without insisting, as India had until then, that the Chinese should first withdraw their forces from Ladakh. The disputed territory lies mostly in high and desolate regions, and the Indians would probably settle for minor adjustments if they could be sure the Chinese communists would not press further claims later on. Indian press and parliamentary critics, who have attacked the July note as an unnecessary gesture of appeasement, will be fortified in their attitude by the latest Chinese push.

MANUFACTURERS' AGENTS

Seeking Legal Protection

THE approach of Britain to the common market is going to cast a new light on the different way in which some sorts of business transaction are handled there and here. One group who may be affected by this are the manufacturers' agents of this country, self-employed people whose business it is to be the brokers between producers and wholesalers or retailers, or between primary and secondary producers, and through whom a significant proportion of the country's trade—there is dispute about exactly how much—is conducted. The manufacturers' agent in Britain is paid entirely in commissions on the business he creates. The commissions can sometimes be substantial—from 2½ to 10 per cent on deals which range from a few hundreds to hundreds of thousands of pounds—but they are the only protection the agent has. He can seldom persuade his principal to agree to a period of service longer than three months continuously, and even those arrangements that he can make are often so loose as to be no guarantee that he will not find himself summarily deprived, without what he regards as due compensa-

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The following table provides further evidence of the Bank's remarkable growth:

	30th June 1961	30th June 1962
Total of Customers' Deposits	\$72,680,883	\$160,767,315
Total of advances to Customers	\$45,763,547	\$85,232,187
Net profit after Tax	\$53,509	\$1,045,116

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Balance Sheet as at 30th June, 1962

Share Capital			
Authorised			
4,000,000 Shares of \$5 each	\$20,000,000		
Issued			
3,000,000 Shares of \$5 each, fully paid	\$15,000,000		
Reserve Fund (including share premium account \$2,000,000)	2,600,000		
Profit and Loss Account	122,925		
Total Capital and Reserves	17,722,925		
Current Accounts, Fixed Deposits and other accounts	160,767,315		
Amount due to Subsidiary Company	1,716,200		
Proposed Dividend	300,000		
Acceptances and Guarantees on behalf of customers (as per Contra)	49,040,889		
	\$229,547,329		
Cash in hand, Balances with Bankers and Agents	\$55,792,705		
Federation Government Securities	5,000,000		
Bills of Exchange	25,311,911		
Advances to customers, Loans and other accounts less provision for doubtful debts	85,232,187		
Investments in Subsidiary Companies at Cost	2,001,000		
Liabilities of customers for acceptances (as per Contra)	49,040,889		
Bank Premises and other Properties At cost less amount written off	7,168,637		
	\$229,547,329		

One Malayan dollar = two shillings and fourpence

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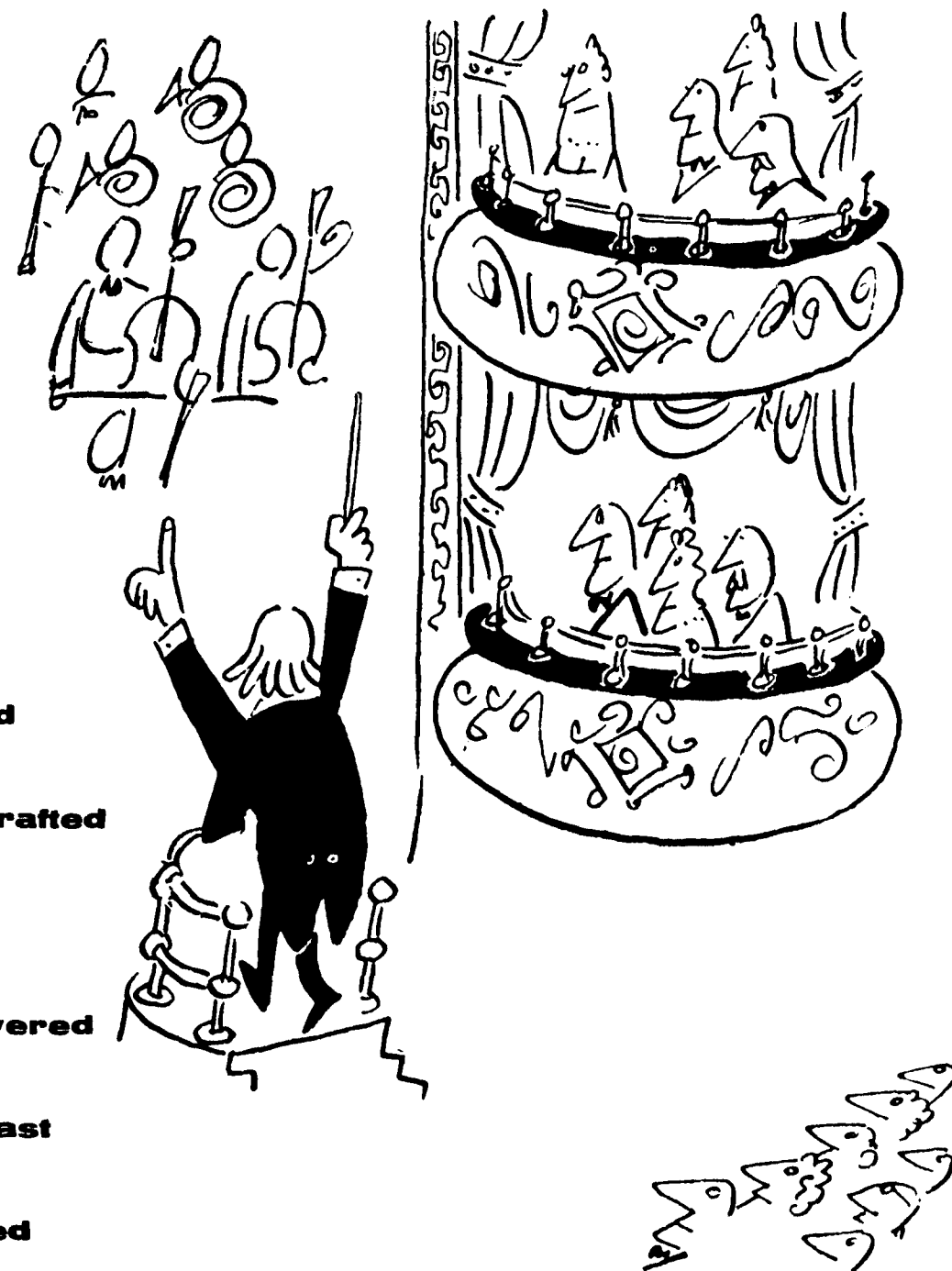
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HOME REPORT

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

Liberals on the Move

BY OUR SPECIAL CORRESPONDENT

THE Liberal conference at Llandudno got off on Wednesday to a rattling start. A record number of delegates (nearly 1,500) crowded into the coffin-like pier pavilion, under the watchful eye of Granada Television, which for the first time is transmitting the whole of a political party congress. The retiring president, Mr Edward Malindine, went at a spanking pace through the opening rituals—the loyal message, the brotherly greetings, the welcome by the mayor to the queen of Welsh watering places. There came a moment of anti-climax when Sir Felix Brunner, Bt—the new president and not exactly an exhilarating speaker—got carried away by a wave of nostalgia for Mr Asquith and 1912, but he struggled ashore somewhere in the sixties to be greeted by the aggressively contemporary figure of Mr Frank Byers, who opened the real business of the day.

The opening mood of the conference was sober. The astonishing advances of the past year, from Orpington to Montgomery, have not generated euphoria so much as a sense of responsibility that the Liberal day may be at hand. (Responsibility is reinforced by a latent suspicion, founded on the latest public opinion polls, that possibly it may not.) Anyhow, the conference is determined not to throw away what chances of further advance it has, and, at the start at least, was almost painfully determined to show itself to the electorate as a body of men and women fit and ready to govern the country.

THE decisive test came early in the first debate on a long motion setting out Liberal policies on taxation, the social services and economic growth. Stung by Tory accusations of financial irresponsibility, the executive had inserted a paragraph in their resolution recognising quite frankly that the social programme made it "unrealistic to offer to reduce substantially the general level of taxation until there can be brought about a rapid and continuous growth in the national wealth."

Some enthusiasts for promising tax reduction attempted to expunge this chastening message—but they never had a chance. With responsibility oozing from every pore, their fellow delegates trounced them for their heterodoxy (which not long ago was official party policy). The *coup-de-grâce* was administered by a candidate for the Chippenham by-election, who pleaded eloquently for realism—rather dangerously implying that this was not a quality which Liberals had been very strong on in the recent past.

With the peril of irresponsibility successfully circumscribed, the assembly threw itself with zest into giving its message to Britain's industry and to Britain's consumers. An attempt on the second day to water down a call for the abolition of retail price maintenance was defeated by a narrow margin. On the first day there was plenty about growth and effort; but the Liberals, having



Sir Felix Brunner and younger friends

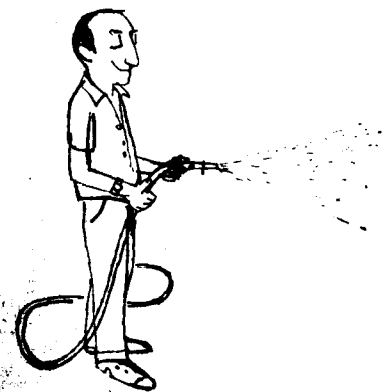
secured the Orpingtonians, are now casting loving glances towards more horny-handed toilers in the Labour ranks. The air was full of pleas for better status for workers in industry, going far beyond the demands for contracts of employment and minimal dismissal notices that may be translated into realities in the Conservative government's own legislative programme for the next session of Parliament. The executive called for the amendment of company law to recognise established employees as members of public limited companies, and to provide for more effective participation by shareholders and employees in the determination of company policies. Here was Chesterton's distributism brought up to date.

Although this executive motion may have laid to rest the gibbering shade of the Daily News, it did not satisfy the Liberal delegates. Liberal stevedores and machine operatives rose to demand a direct share in management for the workers, including a right to elect directors to the board. In vain did Lord Rochester—a recent bemused convert—plead that the workers were not fit to govern: in vain also Mr Cawley, intoning the slogan "every worker a capitalist and every capitalist a worker," and declaring that share distribution must precede workers' rights to dictate to management.

They were swept away as flotsam in a wave of middle-class zeal for their working brothers. The amendment was carried overwhelmingly with the platform beating a cowardly retreat. Thereby, in theory at least, the Liberal party has committed itself to a policy of thorough-going syndicalism which would make many a good Gaitskellite blanch. Sir Felix Brunner, on the platform, remained impassive throughout.

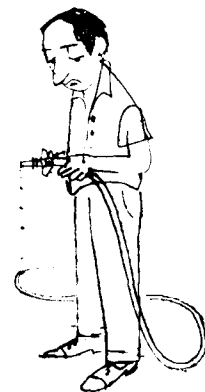
Delegates are naturally talking a great deal about the common market, with, as yet, no sign of any weakening. The leadership is united in backing British entry and the topical resolution on Europe and the Commonwealth makes no effort to pick up any sentimental Commonwealth votes. The rank and file are, however, more worried about the common market than this surface appearance suggests. Some Liberals are now muttering that they have little enthusiasm for entering a union if it is to become a major force in intensifying the cold war. The party's leaders will say they see the danger, but will sensibly point out that the chances of such a dénouement will be less with Britain in than out.

Next Saturday the Liberals have a good chance to get ahead of the other parties again in advancing the unification of Europe. Mr John Pardoe and Mr Richard Moore, two prospective candidates, are to move a motion calling for closer political unity in Europe and asking specifically for a European parliament with wide powers elected by direct suffrage. If this is passed, the Liberal conference will have put on an ambitious new European topcoat just as Mr Macmillan is besporting himself in their former main clothes.



Healing Bristol Waters

FROM A CORRESPONDENT IN BRISTOL



ONE of the Government's least publicised—perhaps because least dramatic—programmes of reform is that intended to reduce and rationalise the system of water supply: in 1956 there were nearly 1,000 water companies in the country, which was self-evidently too many. At Bristol, anyway, much has been done to bring the number down. Bristol Waterworks Company has adopted 11 smaller organisations since 1958, and on October 1st this year three more will be added. In four years the company has increased its territorial coverage from 120 square miles to 900 square miles, and its water supply has doubled since 1952.

Unfortunately this progress has been accompanied by—some believe it has caused—a water shortage, and a ban on the use of hose-pipes. But in fact the sole cause of the shortage was an unusually low rainfall over the last 18 months (difficult though west country holiday-makers may find it to believe this). On average the country's water undertakings budget for a 2½ per cent increase in water consumption

each year, while planning in the Bristol area has been based on a conservative 3½ per cent. But even this did not allow for the region's extraordinary dry spell.

Apart from this little local difficulty the area is rapidly benefiting from the advantages of consolidation that Whitehall envisaged. At present there is an available water supply of 43 million gallons a day for the whole 900 square miles. By 1975 it will have risen to 60 million gallons. Many of the smaller local water undertakings could not afford to run the sort of organisation that is now bringing large-scale rewards; in particular the new amalgamation can afford to employ specialists in such spheres as chemical treatment and the problems of water wastage, who could not have been supported by the small, fragmented companies.

Water plants are being made fully automatic. Where at least four men were needed to operate a plant in the past, the job is now often done by remote control. Through a telephone contact between the plant and a master station, officials can in-

THE ECONOMIST SEPTEMBER 22, 1962

terrogate the plant, receiving information from tape-recorded voices. Should anything go wrong at the plant another telephone call automatically goes through to the master station.

Next year the company takes a historic step forward, when it will draw water from the Sharpness Canal. Although this is scheduled as part of a much larger scheme to serve the West and much of the Midlands with water from the River Severn, parliament gave it early approval so that the future needs of the Imperial Chemical Industries' £100 million petrochemical plant at Severnside could be met. ICI will, in fact, draw about half of the 25 million gallons of water that will be pumped each day from the canal.

The larger scheme to draw water communally from the Severn marks the end of the old competition between authorities for sources of supply, and deals a blow to the old idea that the best way to draw water in a big way is from a large reservoir. Reservoirs are expensive to construct, and will satisfy local needs for a comparatively short time. Under the proposed River Severn project one large reservoir will be built at Llanidloes, Montgomeryshire. But it will only be used to pour water back into the river whenever the Severn might not be able to meet the combined demands on it.

This large-scale co-operation is a logical extension to the sort of consolidation that is going on in the Bristol area with a view to creating an economically—and humanly—viable West Country metropolis. But it would be too much to hope that the full course of this process will flow as smoothly as have the water negotiations. No compulsory order has been needed at any stage of the bargaining.

ing that many dons content themselves with keeping up with their subjects without seriously trying to advance them.

This has, in the long run, a bad effect both on individual dons, who turn into high-grade schoolmasters, and on the university, which becomes on the arts side a high-grade school; whereas continuous research and study is as necessary for both as investment for industry. The situation also tends to create a dichotomy between researchers (readers, professors and so on) who have little effective power, and college fellows who have power but do little research. (In contrast the science professors have a great deal of power and use it.)

The position in other British universities is rather different, because neither college attachments nor teaching commitments are quite so important, even at Cambridge. Lack of finance is, however, still a hindrance. In several foreign universities, otherwise resembling Redbrick in their structure, the British Academy's committee found funds for research and consequent long-term planning and group projects much more freely available. Paradoxically, in all these universities the complaint tends to be of the concentration of power at the top—the reverse of the Oxford situation.

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Too Little Research?

FROM A CORRESPONDENT IN OXFORD

THE news that the British Academy is to receive a grant of £25,000 from the Exchequer, earmarked for research in the humanities, has been received with interest by the universities. At Oxford, however, money is only one of a number of factors in the teaching=research equation. The majority of arts dons who are fellows of colleges are faced with five main calls on their time: teaching, together with general handling of undergraduate problems; reading and study for teaching purposes; lecturing; college administration; and research. The demands of each vary, with the first predominating. In practice the last, as the least obviously necessary, is generally the odd man out.

Oxford's traditional emphasis has been on arts rather than science, and on teaching rather than research. The growth of the science, and social sciences, sector, with its emphasis on a continuous input of research, has caused some change of attitude but not, so far, a change of heart—as is shown by the suspicion with which arts doctorates are

still regarded.

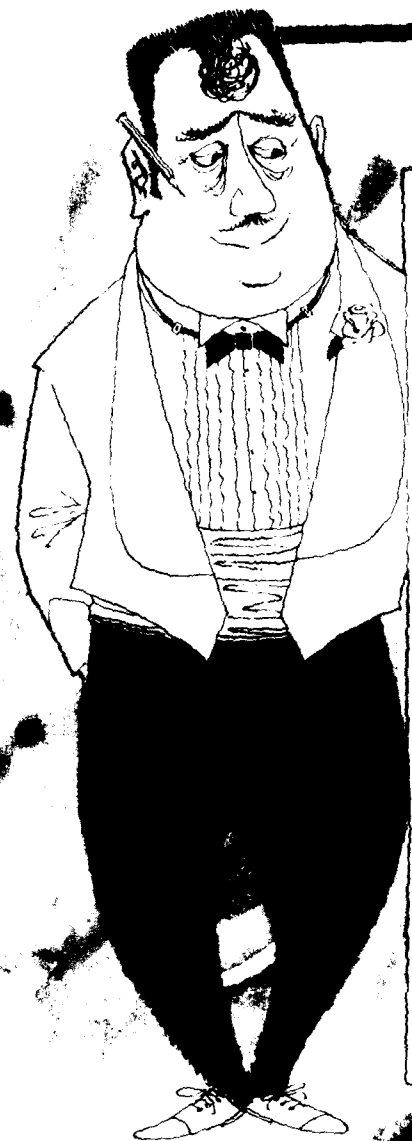
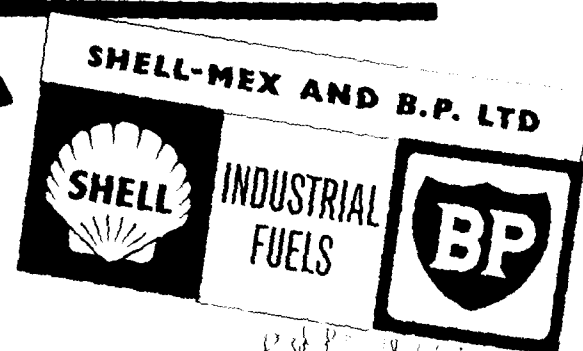
To those critics who say that dons do not teach enough throughout the year, the younger Oxford dons reply that the ghost of Jowett, who believed that tutors should teach their subjects without any nonsense about advancing the frontiers of knowledge, is still seen about far too much. A university prize or two, a first in schools, and then solid teaching for 20 hours a week, together with subtlety in setting and marking examination papers, ingenuity in resisting changes in the syllabus, high conservatism in university politics and cautious pragmatism in college affairs have been a commonly accepted basis for an arts fellow's success.

Lack of time and an unfavourable tradition are reinforced by lack of money and facilities for research. Faculty grants for study purposes (not available in any case for typing expenses or study in London) are rare and small. The faculty of Modern History, for instance, can offer a limited number of applicants £50 in an academic year. Given this climate, it is not surpris-

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Trade Bill Oversold?

WASHINGTON, DC

PRESIDENT KENNEDY'S year-long struggle to win congressional approval of his trade expansion Bill has been a little reminiscent of the old silent film melodramas, in which the heroine was continuously on the verge of disaster, only to be rescued in the next instalment. The mournful cries of the Administration and its supporters at each step of the lengthy legislative process—to the effect that the trade Bill was in imminent danger of emasculation by the protectionists—have been followed each time by approval of almost everything Mr Kennedy requested. The latest instalment has seen the Senate Finance Committee, a traditional stronghold of protection that supposedly was about to insert all manner of restrictive devices into the Bill, approve the measure in a form that may even be a slight improvement on the version passed by the House of Representatives three months ago. The Senate followed suit on Wednesday by accepting almost the identical measure by a vote of 78 to 8, after one of the duller and shortest tariff debates in the history of that chamber, leaving only the routine task of reconciling the relatively minor differences between the House and Senate versions of the Bill. But unlike the happy endings of the old film melodramas, this ending is not one of undiluted joy. With victory at hand, the Bill's supporters are wondering whether it is quite the marvellous instrument which Mr Kennedy and his aides have portrayed it to be.

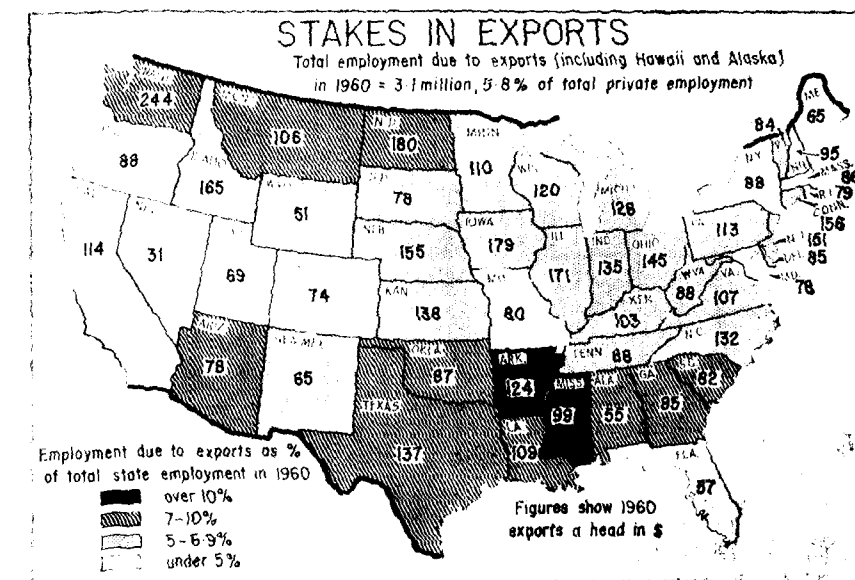
This doubt does not in any way detract from the fact that the Bill is by far the best trade legislation passed by Congress since 1934, when it first started to get out of the business of setting tariffs and began to delegate authority to the President, thus ending a national policy of inflexible protectionism that was almost as old as the Republic itself. This year's Bill will give Mr Kennedy more power to slash tariffs than has been enjoyed by any President, including authority to end tariffs completely on categories of commodities of which the United States and the European common market are the dominant world suppliers. For the first time, a President will be able to reduce tariffs on entire categories of commodities in one sweep instead of being restricted to individual items. The unusually long life of the measure—five years—will give it a chance to be tested fully before Congress must take up the question of trade again. Perhaps the Bill's most interesting innovation is the provision of subsidies which are designed to give at least a limited alternative to tariff protection by helping the individual companies which are hit the hardest by increased competition from imports and the workers who lose their jobs because of reduced tariffs.

Nevertheless, there is widespread suspicion that in their zeal to sell the Bill to Congress Mr Kennedy and his Cabinet may have been exaggerating how much it can accomplish. Specifically, it is questioned whether the prospect of lower American tariffs is so enticing that the common market will promptly throw open western Europe

to American products. Senator Douglas of Illinois, a veteran advocate of free trade, was so shocked by the depth of European protectionism during a trip to the capitals of the common market countries late last year that he succeeded in including in the Senate version of the Bill broad powers enabling the President to raise tariffs in retaliation against European protectionism—authority neither wanted by Mr Kennedy nor apt to be used by him. Nor do the provisions of the Bill in themselves solve the problem of the exclusion from the common market of Japanese products that will flow into the United States under tariff concessions granted by Mr Kennedy to the common market and automatically extended to all non-communist countries.

EVEN if the Bill is not a magic cure-all for American industry and even if its worth will depend largely on the effectiveness with which American negotiators bargain with the common market, its supporters have contended that it is a symbolic gesture of Washington's dedication to free trade and an example for the common market to follow. But if European eyes have been fixed on the free trade provisions within the Bill, they have not been blind to the protectionist actions taken by Mr Kennedy outside the Bill in order to assure its passage. First there was the American promotion of the international agreement limiting exports of cotton textiles and then Mr Kennedy's unilateral increases of tariffs on Belgian carpets and glass (quickly followed by Belgian retaliation against American chemicals). Now, it is believed, Mr Kennedy has secretly given an ironclad assurance to Senator Kerr of Oklahoma, the multi-millionaire oil and gas tycoon who has managed the trade Bill in the Senate for the Administration, that the quota on imports of oil will be frozen at its present low level for the rest of the Kennedy Administration. Such actions do not point to any root-and-branch scrapping of protection for old and inefficient American industries which are poorly equipped for a world of reduced tariff barriers.

And almost nobody in Washington, with the possible exception



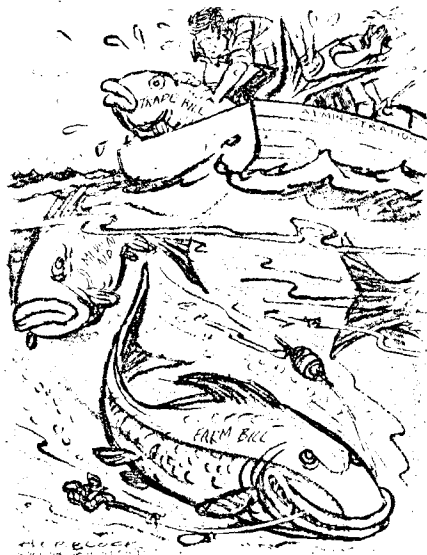
of Mr George Ball, the Under Secretary of State, and his cohorts at the State Department, views the Bill any longer as a prod to push Great Britain into the common market, although the measure's most publicised provision was fashioned ingeniously by Mr Ball to accomplish just that. As passed by the House this would permit complete elimination of tariffs on any category of commodities only if 80 per cent of the world exports in that category came jointly from the United States and the common market. Only aircraft would meet that condition if the common market consisted of its present six members; with Britain in the common market, perhaps 80 categories would be eligible (although American negotiators would probably consider complete elimination of tariffs on only a very few of them in the foreseeable future).

ALTHOUGH this supposed incentive for the British and the Six to get together would seem to be very low on the list of factors which they are considering, Mr Ball and his colleagues persist in believing that London and Brussels are basing their decisions in part on what happens to the trade Bill in Congress. The State Department was most upset, for example, when the Senate changed the dominant supplier provision to permit complete elimination of tariffs on any category of goods if Britain and the other nations of the Outer Seven (even if none of them enters the common market), plus the United States and the common market Six, account for 80 per cent of world trade in it. This, the department feared rather illogically, might be interpreted in Europe as the abandonment of hopes in Washington that Britain would at long last become the seventh member of the common market.

Perhaps the relative ease with which the Bill has slipped through Congress is the tipoff that it is not by any means the precedent-shattering departure which Administration officials claim that it is. Opposition, possibly a bit more listless than that during the last trade fight in Congress four years ago, came from the same beleaguered protectionist elements; they could find no new allies. The pattern of giving the President more authority to bargain over trade and to reduce tariffs steadily now seems to be so well accepted by the public that a vast majority of the members of Congress feel that they can vote for a trade Bill without fear of reprisals from the voters on election day.

Still, passage of the measure must be counted as a major victory for Mr Kennedy. If it had been killed or loaded down with protectionist amendments, the position of the United States in the new world of the common market would have been an impossible one. Moreover, an Administration that has been buffeted about by Congress so badly during the past two years sorely needed the boost in morale which has followed the first acceptance by Congress, without substantial modification, of a measure drafted originally by the Kennedy Administration. Most of the newspaper accounts summarising the record of Mr Kennedy's relations with Congress will depict the passing of the trade Bill as a towering achievement. Whether the historians will agree remains to be seen.

"Hey — We Landed One Of The Big Ones!"



Free Hand for the President

THE resolution which the members of the Senate Foreign Relations and Armed Services committees approved unanimously this week gives members of both chambers, who are expected to endorse it without delay, the satisfaction of "doing something" about Cuba without in any way tying the President's hands. Its assertion that the United States is prepared to prevent the Cuban regime "by whatever means may be necessary" from using force or the threat of force to extend its aggressive or subversive activities in the western hemisphere goes precisely as far and no farther than Mr Kennedy himself went last week. The President's statement at his press conference was, indeed, notable primarily for the firmness with which he proclaimed that the shipment of Soviet arms and technicians (which he said had been going on since 1958) posed no threat at present to the hemisphere and did not justify any intervention, and for his sharp rebuke to the war talk which only serves to give some colour to the communist line that an American invasion is imminent.

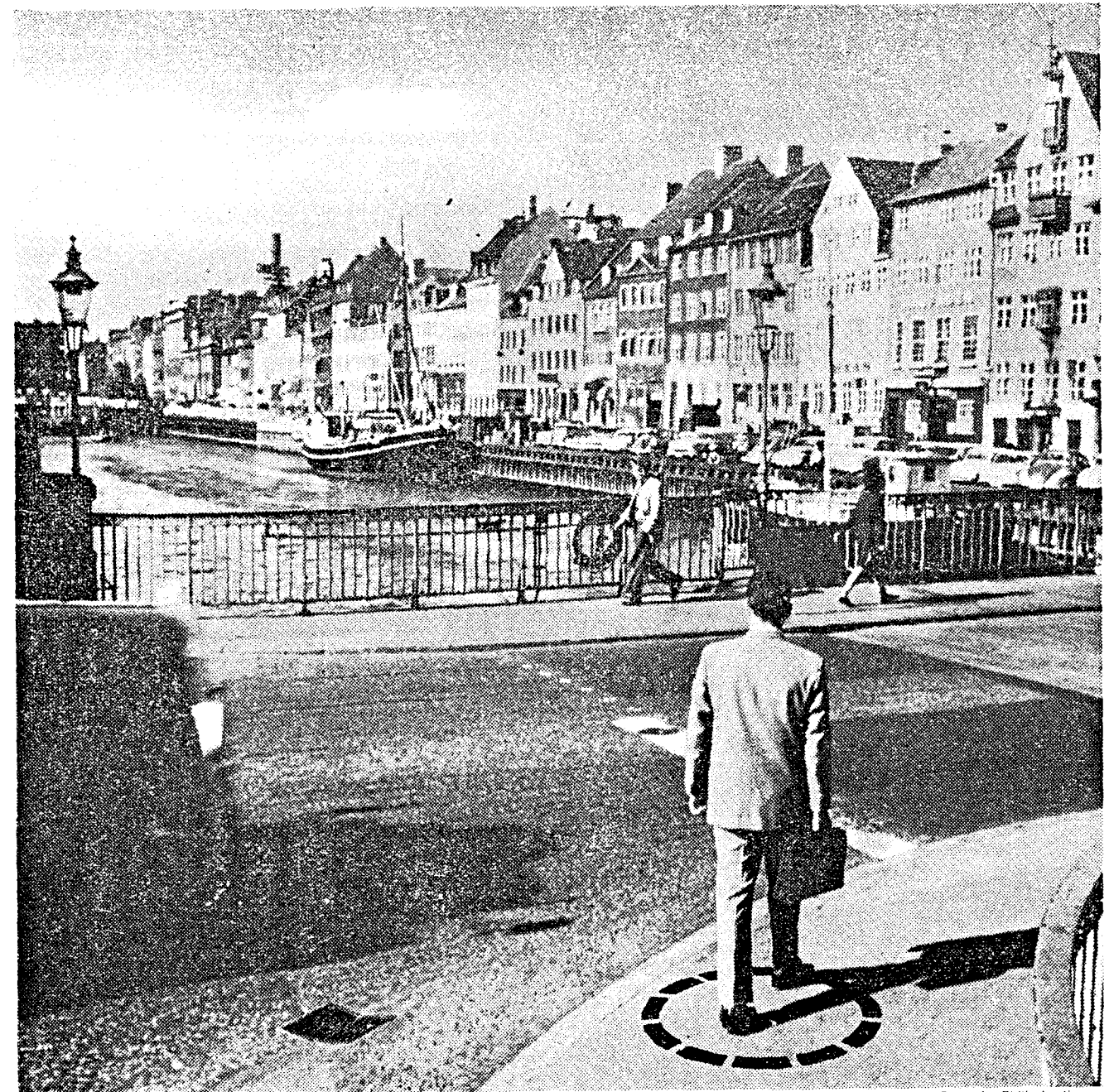
Members of the Senate also found another outlet for their frustrations by voting last week, by 100 to 0, to give the President the standby authority which he had requested to call up 150,000 reservists and to extend the terms of duty of members of the armed forces. The Administration has had this step in mind since June with reference to Berlin, not Cuba, but it was Cuba which produced the unanimous vote, although the enthusiasm might have been muted if the Senators had not been told that the Administration has no present plans to use its new powers. These will expire in February when the next Congress has settled in. Members have not forgotten the political discomfort caused by the hasty call-up of reservists during the Berlin crisis last year. The House Armed Services Committee has already approved the Bill and the full House of Representatives is expected to do so next week.

It is hard to see what more the Administration can do to counter the argument of Senator Goldwater and his friends that its policy of watchful waiting over Cuba—and the air and sea watch is unceasing—is a "do-nothing" policy. Mr Nixon has now joined in this cry with a characteristically unspecific demand for a "quarantine" of Cuba, although the more responsible newspapers and commentators are pointing out that a blockade would be an act of war. Any such step, not to speak of unilateral intervention, would, among many momentous consequences, doom any hope of Latin American co-operation on the Cuban question. Even after the President's strong statement last week hopes are not high that the Latin American countries will respond sympathetically, when their Ambassadors meet in Washington next week, to the idea of an hemispheric embargo on Cuban trade and travel.

What's in a Name

BOSTON, MASS.

THE decision of the voters of Massachusetts to match a Kennedy against a Lodge for a seat in the United States Senate in the November elections surprised almost nobody. Names count in Massachusetts. This same Senate seat, which Daniel Webster twice filled, was contested by a Lodge and a Kennedy in 1916 and again in 1952 when President Kennedy wrested it from Mr Henry Cabot Lodge, the father of the latest Republican contender. The President's youngest brother, Mr Edward Moore Kennedy, was helped to overwhelming victory in the Democratic primary (in which all party members are entitled to vote) not only by his name but also by his good looks. Fifty-three per cent of the voters in Massachusetts are women. He not only beat his opponent, Mr Edward



Nyhavn Canal, Copenhagen—just 20 minutes from a Bank of America office. Photo by Philip Lustig.

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McCormack, by two to one but he also got more votes than Mr George Cabot Lodge and Mr Lodge's opponent in the Republican primary put together, suggesting that in November he may have a walk-over.

There is, however, a third candidate in the race. Mr Stuart Hughes, a professor of modern history at Harvard and a grandson of the Chief Justice whom Wilson defeated to become President, is running as an independent. Massachusetts has a floating vote of 43 per cent and there is speculation whether Mr Hughes will take votes from Mr Kennedy or Mr Lodge. The professor has no chance of winning himself though his bold advocacy of a cutback in arms as well as medical care for all on the Swedish plan, of a \$1.50 an hour minimum wage and a 35-hour week has attracted some "egghead" support and has failed so far to get him tagged

by critics as anything worse than a starry-eyed idealist, even though Mr Robert Welch, the founder of the John Birch Society, lives in Boston. However, Mr Hughes would have to take a lot of votes from Mr Kennedy to spoil the chances of the President's brother.

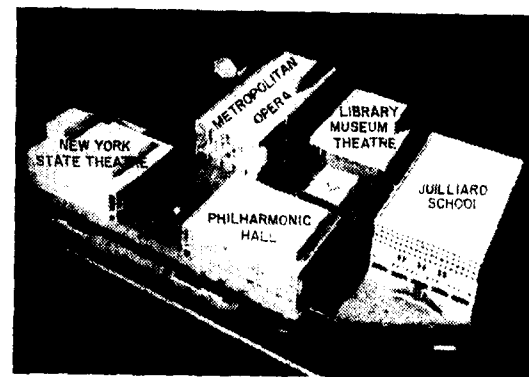
On the national scene the Republicans are reported to be preparing gleefully to make an issue out of the likelihood of there being three Kennedy brothers in powerful positions, one in the White House, one in the Department of Justice and one in the United States Senate. They also complain that Mr Kennedy owes his success to friends in high places, much money and a well-oiled, well-muscled political machine. But the extent of Mr Kennedy's victory seems to make it clear that the voters liked very much what they saw and heard of him. His opponent in the primary was no straw man. Mr McCormack, the Attorney General of Massachu-

setts and the nephew of the Speaker of the House of Representatives, has an excellent record as a courageous and able defender of civil rights and of consumers' interests. People are recalling that though the appointment of the President's other brother, Mr Robert Kennedy, as United States Attorney General provoked much criticism it is now generally conceded that he has demonstrated great ability. Mr Edward Kennedy's genes may make up for his lack of experience.

Mr Lodge apparently intends to campaign as a progressive Republican who believes, for instance, in medical care for the aged but is convinced that Republicans can run it better. He has also said that he will be an independent voice in the Senate. He contrasts this with Mr Kennedy's claim that if elected Mr Kennedy will "do more" for Massachusetts. But Mr Lodge's proud boast

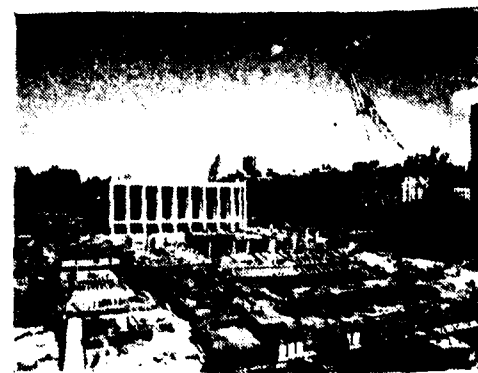
of not leaning on influence with the White House may well create misgivings, not generate support. What Mr Kennedy claims is just what Massachusetts wants. The state feels disappointed that President Kennedy has not done more for Massachusetts. It is alleged that the "moon laboratory" went to Texas, instead of coming to a state that has the brains of Harvard and the Massachusetts Institute of Technology, because President Kennedy did not resist the powerful political pull exerted by Vice President Johnson. Many believe that Mr Edward Kennedy, if he is elected, will indeed have the "ear of the boss," his brother, and that Massachusetts will benefit accordingly.

But whether Mr Kennedy will or can do much about the sad condition of politics in Massachusetts is more doubtful. The state's politicians are widely regarded as the Boris Karloffs of American



Culture's Golden Centre

FROM A CORRESPONDENT
IN NEW YORK



LINCOLN SQUARE, a tiny patch of grass and trees at the corner of Broadway and 63rd Street, a block west of the Gold Coast on Central Park and three above the bustling Coliseum, is situated at the beginning of the Upper West Side, an area where extremes of wealth and poverty exist cheek by jowl in a sprawling, multi-racial, international hurly-burly. In fact, Lincoln Square is triangular, not square, and is dominated by a massive figure, not of Lincoln, but of Dante, suddenly looking down on the two or three elderly women hard at work on their gossip and a collection of tramps, most of them out cold amid a litter of whiskey bottles. Ten years ago the square was a little oasis at the edge of one of the city's most sordid tenement districts. Now it is a relic, kept alive by its name, which has been tacked on to the most ambitious urban renewal project in the country.

This is the Lincoln Square Project, which in turn contains an equally ambitious artistic endeavour, the Lincoln Centre for the Performing Arts. Next Sunday Governor Rockefeller is expected to head an impressive array of guests at the opening concert at Philharmonic Hall, the first building of the Centre to be completed, and the first concert hall to be built in New York City in seventy years. The opening is being hailed as momentous, as indeed it should be, for

it not only signals the launching of the Centre but, even more importantly, the face-lifting and renewal of a large section of the city itself.

Lincoln Centre is expected to outstrip in size and importance the projected cultural centre in Washington, the fifty or more others which are springing up all over the United States and, its supporters suggest, any in foreign countries. It will provide a permanent home for a variety of artistic enterprises which heretofore have been scattered about the city and obliged to make do in a hand-to-mouth fashion. Besides the hall for the New York Philharmonic, the Centre will include a new Metropolitan Opera House, a repertory theatre, the New York State Theatre, to be used primarily for dance and operetta, a library-museum of the performing arts, the Juilliard School of Music, an outdoor band shell, parks, plazas, restaurants and underground garages. In all there will be eleven performing stages and a combined seating capacity for over 12,000 people.

The bulk of the Centre's activities will be contained in a large "super-block." The major portions of the Lincoln Square renewal project lie to the north of it, up to 70th Street and west to the Hudson River, where new piers are under construction. The plans were approved in 1957 and 1,647 families were moved out

of the existing tenements. Now the entire area is fast being converted from a low income district to an upper-class residential and business area. The backers of many new developments expect them to prosper just because they are near Lincoln Centre. Those who take a broader view hope that Lincoln Centre will provide a focal point for the rejuvenation of the Upper West Side, just as the headquarters of the United Nations has provided one for the East Side.

Such diverse organisations as the *New York Times*, the American Red Cross, the American Broadcasting Corporation, Fordham University and the High School for the Performing Arts are all building or about to build in the area. Webb & Knapp Inc. has sunk \$85 million in a group of tall blocks of flats; shopping centres, motels and office buildings are going up. Around the edges smaller speculators have been at work; land values have doubled, even tripled, in the past year or so. Rather ironically a public housing project occupied mainly by Negro and Puerto Rican families exists as a sort of ghetto in the middle of all this mushrooming opulence. The total area under renewal is 46 acres and private enterprise has invested more than a quarter of a billion dollars in rebuilding it.

Lincoln Centre itself requires \$142 million if it is to be completed in 1966.

City, state and federal appropriations have reduced this amount by \$40 million and a drive for private contributions has already collected \$76 million. Donations are deductible for income tax purposes, but even so it has not been easy to raise such an amount for a non-profit artistic venture. Some of the publicity used to whip up interest in Lincoln Centre has made it seem slightly ridiculous. "Culture" is hawked about like a side-show at the circus: Lincoln Centre "is going to be great theatre, great music, and great fun," suggests one blurb. It will be the "biggest coming attraction" on New York's new, glorious "Golden West Side."

This sort of ballyhoo sickened some people at the beginning, but it has undeniable appeal for the newly rich who are anxious to become known as patrons of the arts. For example, the Centre has persuaded many contributors to donate \$1,000 over a five-year period to endow a seat in any one of the auditoriums; in return a plaque bearing the donor's name is attached to it. New York State's investment was prompted by its desire to use one of the buildings for the 1964 World's Fair; west Germany presented \$2.5 million and Austria a quarter of a million to give the effort a truly international air. In addition, the directors of the Centre include some of the mightiest names in industry and the labour movement, ranging from Mr John D. Rockefeller 3rd, the chairman, to Mr Harry Van Arsdale, the head of the local branch of the electricians' trade union. The latter was very helpful in securing donations from the electrical industry.

NOT everyone is enthusiastic about the building of the world's biggest cultural centre. Some of the young artists and their followers fear that it represents the victory of a sort of "cultural establishment," which will tend to shut them out, keep prices high and in general answer to the dictates of the Metropolitan Opera. The new opera house will be the largest

auditorium in terms of seating capacity (3,800), the most expensive (\$35.4 million), and will occupy the focal point of the entire complex of buildings.

One of the major hopes for Lincoln Centre has been that it would provide sufficient facilities and seating capacity to make American tours by Europe's large companies possible and financially feasible. At present the lack of enough seats poses a major monetary problem. The old Metropolitan Opera House has been the only auditorium with sufficient capacity. But the old opera house has been disposed of, probably to be demolished and replaced by blocks of flats or commercial buildings. The Metropolitan will occupy its home at Lincoln Centre during the peak of the season and there is considerable speculation that its season may be extended. Thus, for foreign companies, the situation may be little changed, except during the summer months when many people desert the city.

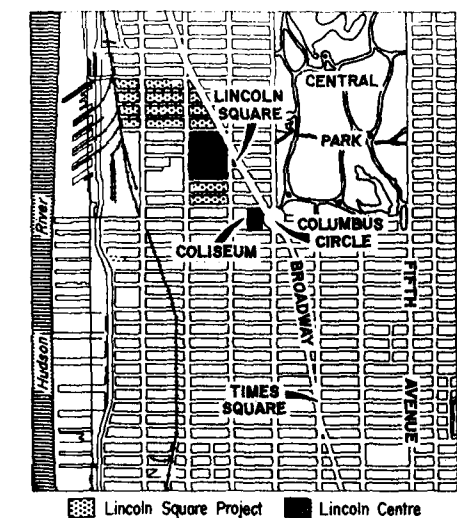
Another sore point has been Lincoln Centre's inability to include the New York City Centre ballet and opera companies which now play to faithful audiences in an old temple on the West Side. The City Centre Ballet, in addition to its professional excellence, has been strikingly successful in popularising the ballet with the young, partly because of its liveliness, partly because of the low prices it charges for tickets and the free performances which it gives. It is hoped that the City Centre will occupy the New York State building once the World's Fair is over and that it will be able to maintain its low prices through a subsidy from the city.

These fears, however, concern the future. For the present the Philharmonic Hall's first season is already two-thirds booked. Some visiting orchestras have increased their prices, but the New York Philharmonic has not done so. To give an idea of the variety in store, bookings include the Leningrad Philharmonic, the French National Orchestra, the Modern Jazz Quartet, Mr Benny Goodman and, it

is reported, Miss Peggy Lee. In addition, a number of free concerts will be given for children, in line with the educational aims of the Centre. There is a \$10 million fund for education.

Lincoln Centre is not only acting as a stimulus to the renewal of large parts of the Upper West Side, but it also promises to wrench the performing arts even farther from the mid-town Broadway area. The real centre of American theatre is now in the numerous loft theatres in Greenwich Village, and now that the centre of music is moving farther uptown, Broadway is becoming a virtual extension of Shaftesbury Avenue. One of Britain's most successful exports is plays; half a dozen or so British ones are already running on Broadway or will be doing so shortly. It also remains a centre for lighter entertainment.

In the past the Lincoln Square area was one of the main hang-outs of the boxing fans who milled about the St Nicholas Arena. Now Mr Rudolph Bing, the manager of the Metropolitan Opera, and his entourage have superseded Mr Cus d'Amato, the fight promoter, and his camp followers. This is one measure of the revolution which has taken place in Lincoln Square.



politics, prepared to remove the very gold fillings from the mouths of the dead, though only after securing the corpses' votes. Some results in this week's primaries failed to combat that disparaging image. A Mr Charles Iannello got as big a margin over the closest of his ten opponents in the Democratic primary for nomination to a seat in the Massachusetts House of Representatives as Mr Kennedy did over Mr McCormack. The considerable difference, however, is that Mr Iannello ran his campaign from his cell in the House of Correction on an island in Boston harbour, where he is serving a



year's sentence for larceny over paving contracts. The Democratic Speaker of the Massachusetts House of Representatives, Mr Thompson, was renominated although his manner of riding roughshod over the rules has won him the nickname of the "Iron Duke." The town of Ludlow is said to be "owned" by Mr Thompson and his five brothers, one of whom is its chief of police. Mr Endicott Peabody, the son of an Episcopalian bishop, will be the Democratic opponent of the Republican Governor, Mr Volpe, in November. But the victorious Democratic aspirant to Mr McCormack's post of Attorney General is Mr Francis Kelly, whose suggestion for countering illegal gambling in Massachusetts—estimated at \$2 billion annually—is a legal lottery.

The Democratic reform organisation called "COD"—the Democratic party machine has forbidden it to call itself the Council of Democrats—supported eleven candidates in the Democratic primary. Mr Iannello beat one of them, Mr Thompson beat another. Two more lost and seven won. COD's hopes is that Mr Kennedy will "co-operate" in the Augean task of cleaning up Democratic politics in Massachusetts. But Mr Kennedy will almost certainly have to lean on the official party machine for his expected victory in November, and thereafter his interests will lie in national politics rather than in the murky local ones in Massachusetts, whose telling title in Boston is "The Swamp."

SOS from AID

WHILE the trade Bill was sliding smoothly to a successful conclusion in the Senate, the foreign aid appropriation was getting off to a bad start in the House of Representatives. This is nothing new. Every foreign aid appropriation has to run the gauntlet of Mr Passman's hostile subcommittee. But this year Mr Passman has outdone himself and the Appropriations Committee has backed him to the hilt, even to restoring \$300 million for military aid at his suggestion to blunt criticism. The committee's cut of \$1.1 billion in the \$4.8 billion requested by the President for foreign aid represents the deepest slash in fifteen years, ever since the Marshall plan was instituted. Of this \$475 million is at the expense of long-term loans for development, a clear repudiation, if it is upheld, of Congress's commitment last year to provide up to \$1.6 billion a year for this purpose over five years. The cut of \$75 million in the \$600 million requested for the Latin American Alliance for Progress will sow similar doubts about America's strength of purpose. The committee has also reopened the long-fought question of aid to Poland and Yugoslavia which it was thought had been settled in a sensible way in the authorisation legislation.

If all this were simply a matter of parochial and penny-pinching legislators making hay in an election year—which it is in part—the Administration and the Agency for International Development

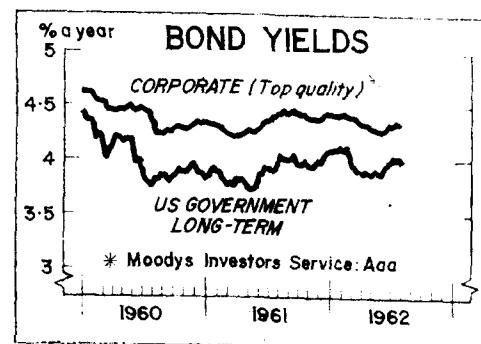
would not be so worried. But there is little enthusiasm for foreign aid even among its usual defenders in the Senate, which can generally be relied upon to make good the depredations of the House. This is one reason why the President issued, on the eve of the vote in the House, an urgent appeal to members not to under-cut his foreign policy. Last year's big shift from out-right grants to long-term loans does not seem to have cured the disaffection. Moreover many members of Congress, who are being told constantly that Europe has found the key to prosperity, wonder why it does not shoulder more of the burden; many are genuinely concerned about their country's balance of payments; many are disillusioned about foreign aid and feel that the Administration is attempting too much. In the end Congress will probably vote enough money to keep the foreign aid programme turning over. But Mr Kennedy, who has proclaimed a "decade of development", sought a new impetus and to sustain it asked for over a billion dollars more in economic aid than Congress gave him last year.

There is one redeeming development from the House. It has passed by a substantial majority the Bill authorising the purchase of half of the \$200 million in bonds being issued to relieve the financial crisis of the United Nations. The Senate at once adopted the House version. The money will be available only to the extent that it is matched by other countries, but all other restrictive amendments were beaten. Nearly half of the Republicans in the House voted for the measure after Mr Eisenhower gave it his strong support. An effort is now being made to enlist his help for the foreign aid appropriation.

Surprising Treasury

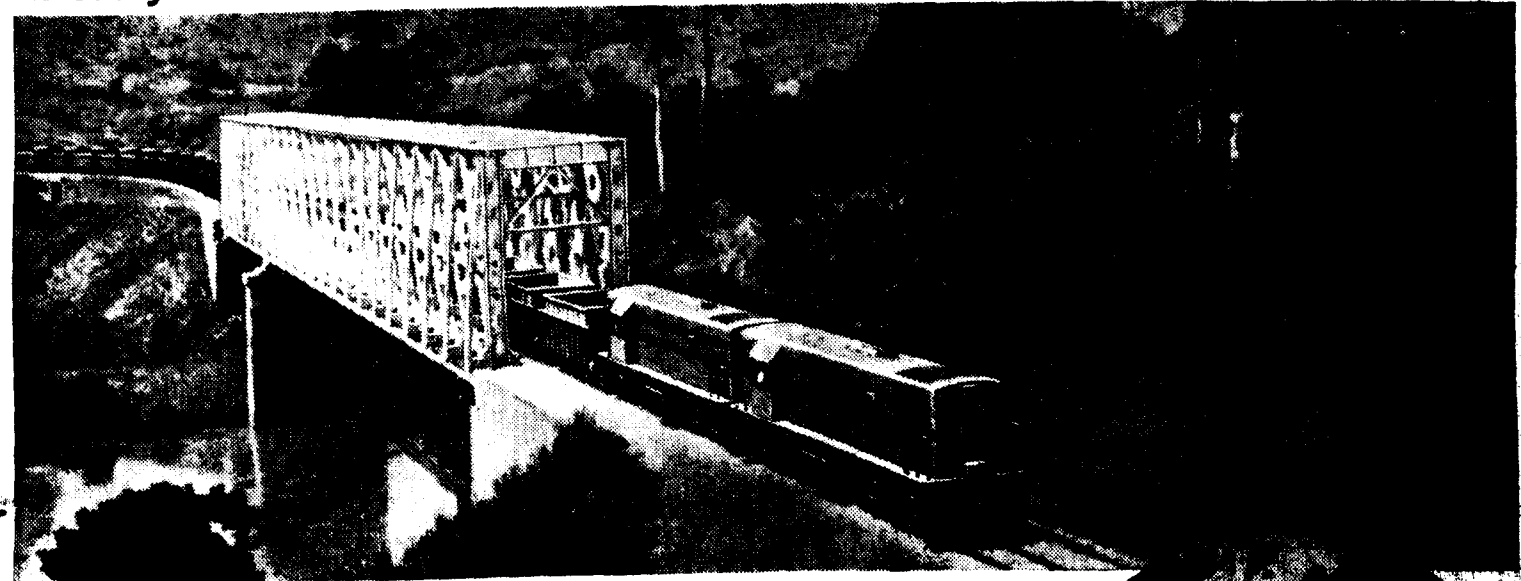
INVESTORS in United States government securities are being kept on their toes by an imaginative Treasury seeking new ways to ease the burden of managing the public debt. Last week it announced that it proposes, for the first time and as an experiment, to try competitive bidding on an offering of \$250 million in long-term bonds which is scheduled to be made during the next six months. The entire issue is to go to the syndicate offering the highest price, which means the lowest cost to the government. The news, which astonished the financial community, has set off a burst of syndicate-forming by interested underwriters, with such big names as Lehman Brothers, First Boston Corporation and the Morgan Guaranty Trust Company mentioned among the prospective managers.

Competitive bidding for government securities is not new; it is used all the time in selling short-term bills. The innovation lies in adapting the technique to long-term issues. One hope is that the competition among underwriters may reduce the interest cost to the government. Private corporations and states and municipalities use the technique successfully; indeed, the Treasury is said to consider that it is unreasonable that the yield on long-term Treasury obligations, with all the prestige and resources of the government behind them, should be almost as high as that on the best corporate securities. On the other hand, some



investors argue that the interest on long-term government obligations is unrealistically low. The experiment should show who is right. Another advantage of the new system is that it may help to

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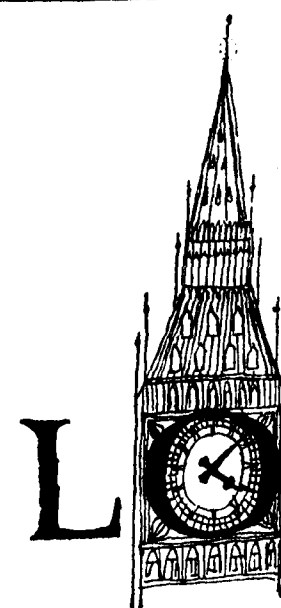
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Taylor Woodrow is a member of the international consortium responsible for the construction of the Comilog project—nearly 200 miles of railway for La Compagnie Minière de L'Ogooue, much of it through mountainous and densely forested terrain. It will provide a direct line for the exploitation of manganese ore in the Gabon Republic. The other members of the consortium are La Compagnie Industrielle de Travaux of France, and the Utah Construction Company of the U.S.A.

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sell more long-term issues by giving pension funds and other big purchasers more time to decide whether to take up offers of government bonds. The disappointing result last month, when only \$316 million of a \$750 million offering of 30-year bonds were sold, was due in part, it is believed, to the fact that investors had only from Friday to Monday to make up their minds.

Last week the Treasury's debt managers were also able to report that the largest "advance refunding" ever attempted had gone well. Members of the public turned in \$7.8 billion worth of securities maturing early next year in return for new five-to-ten-year obligations. The Treasury had put a ceiling of \$9 billion on the exchange by members of the public; the rest of the new securities were taken up by government trust funds. The purpose was to create room in the debt structure for a new borrowing—expected to total between \$2.5 billion and \$3.5 billion—in short-term bills. The Treasury's aim is to maintain a large supply of these to hold their prices down—and their yields up. This should encourage foreign investors to keep their dollars in the United States and so reduce the outflow of gold.

Georgia on the March

GEORGIA'S burnt-out Negro churches, set to the torch by night-riding white hooligans, seem likely to commemorate the end of an era. When Democrats in the state went to the polls last week to choose their candidate for Governor, over 60 per cent of their votes went to Mr Sanders, a racial segregationist but a moderate who stands for law and order and condemns violence. His defeated opponent, Mr Griffin, had done his best to stir up racial hatred; his prescription for "integrationist agitators" was to "cut down a blackjack sapling and brain 'em"—though he added hastily that he did not mean to be taken literally. The size of Mr Sanders's victory owes a great deal to the fact that the courts had suspended the state's notorious county-unit system, which came close to disfranchising urban voters, and substituted a straight popular vote. But Mr Sanders, plugging away at the corruption which flourished during Mr Griffin's term as Governor—nine state employees ended up in prison—did unexpectedly well in rural areas as well as rolling up big majorities in cities like Atlanta. He even carried Albany, where racial tension has been high all year.

Mr Sanders would have won even if the county unit system had still been in force and he faces no Republican opposition in November. Mr Charles Weltner, a young Democrat who has been called a "carbon-copy" of the new Governor, is not as lucky on either score. He narrowly defeated Mr James Davis, an arch-conservative and segregationist who has represented the Atlanta district in the House of Representatives for sixteen years and has become notorious for his vicious influence on the running of the District of Columbia. If the unit rule had still been in force Mr Davis would have won. He may still manage to retain his seat, for there were two other contenders in the race and there will have to be a run-off on September 26th because Mr Weltner did not win a clear majority. That he did not was due to his failure to court Negro votes; Atlanta is a liberal city by southern standards and the Negro vote counts. Over 30,000 Negroes voted for Mr Sanders for Governor; only 20,000 voted for Mr Weltner. It must be a bitter pill for Mr Davis that his political life turns on Negro votes. Some of the Negroes voted for him last week and may vote for him again on the grounds that he would be easier than Mr Weltner for the Republican candidate to defeat. Unfortunately a number of the urban voters who turned out in such numbers to vote for Mr Sanders—and helped to swell Mr Weltner's total, too—may fail to turn up on September 26th.

Finis for Featherbirds?

EASTERN AIRLINES seems to have emerged victorious from the showdown which the company forced this summer upon the Flight Engineers International Association over the vital issue of the third man in the cockpit. By last week the airline had resumed most of its services with specially-trained co-pilots performing the functions of the flight engineers who went out on strike last June 23rd; about 75 of the latter, however, crossed their own trade union's picket lines to return to work. The strike was the result of a jurisdictional dispute between FEIA and the Air Line Pilots Association over whose member should go when an airline cuts its crew from four to three. Both employers and employees in the industry agree that in jet cockpits, with their greatly simplified control systems, the fourth man is redundant; in the industry he is known as a "featherbird," that is, one who engages in airborne featherbedding or the perpetuation of an unnecessary job.

The feud between FEIA and ALPA has plagued the airlines for years. Western Airlines and Southern Airlines anticipated Eastern by breaking strikes of the engineers and pilots respectively. More recently, Pan American World Airways and Trans World Airlines have reached settlements with the unions along the lines proposed by a succession of presidential fact-finding boards; this involves giving the flight engineers at present employed priority in qualifying as third pilots while ceasing to hire any new engineers. Why, then, did Eastern Airlines not follow the industry's pattern, and choose instead to undergo a strike that cost the company an operating loss of \$23.4 million—only partially offset by "insurance" payments of \$15.8 million under the mutual aid pact which provides that airlines picking up the extra traffic compensate a struck carrier—in addition to the possible loss of goodwill?

The answer seems to be that Eastern saw itself as the champion of all employers who, as a result of America's advancing technology, are under pressure to retain workers no longer needed and are involved in interminable inter-union disputes. A more persuasive fact probably was that the tiny flight engineers' union is both vulnerable and, apparently, expendable. The American Federation of Labour and Congress of Industrial Organizations has held aloof from a jurisdictional dispute between two of its members, and only Mr Hoffa's teamsters came forward with financial help. Congress's reaction to the strike has been to consider legislation for the compulsory arbitration of airline disputes. President Kennedy, possibly glad to show his impartiality in labour-management troubles where only 3,250 votes are at stake, condemned the strike as "the height of irresponsibility". Strike-breaking at Eastern Airlines scarcely sets much of a precedent.

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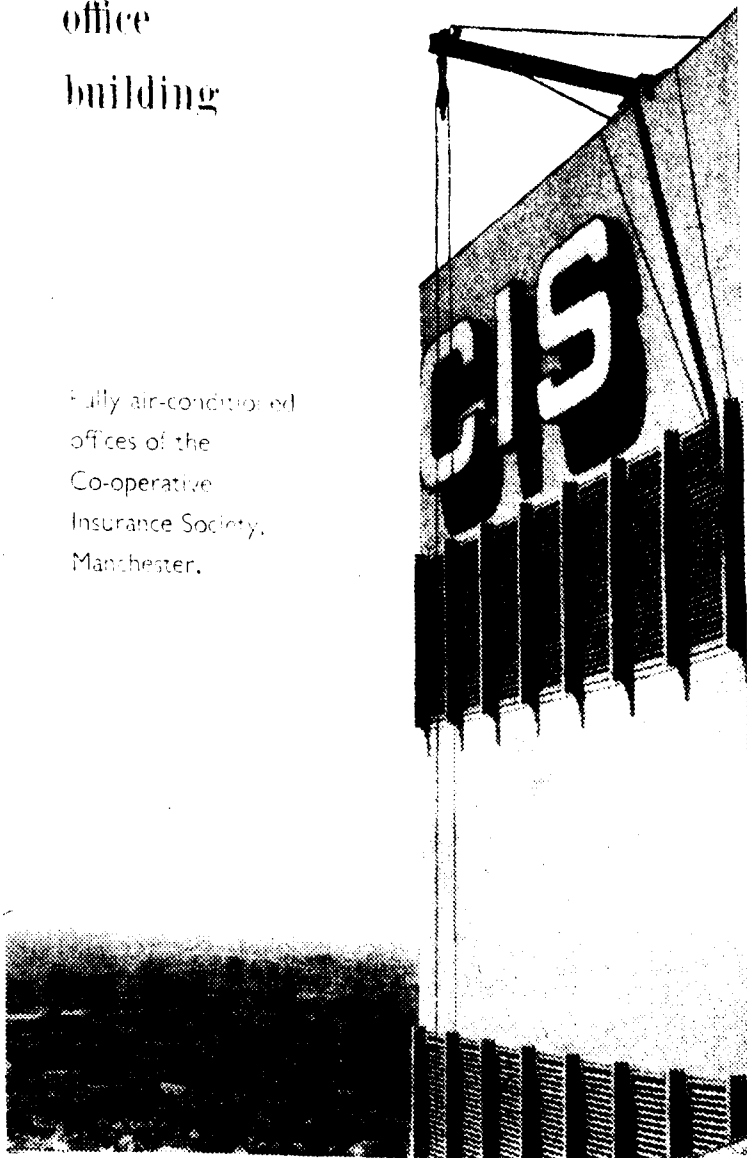
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THE WORLD OVERSEAS

India's Gold Habit

FROM OUR CORRESPONDENT IN INDIA

WHEN *The Economist* correspondent succumbed last week to the Indian habit of decking one's wife out in gold, he found the goldsmiths' quarter of Bombay in a state of excitement. That same day the Reserve Bank of India had announced the first measures towards a study of the volume and pattern of gold trading in the country. Ten days earlier the Lok Sabha had passed a bill defining gold and silver firmly as non-ferrous metals, and giving the government power to control the production, supply and distribution; to ban futures trading; and to ensure that buyers buy only for their own use. Steps to transfer the Indian public's enormous private holdings of gold to the coffers of the Reserve Bank are expected daily, though no one, including Mr Morarji Desai, the finance minister, knows what form they will take; Mr Desai confessed recently that he had been studying the problem for four years and still did not know the answer.

The government's intention of mobilising private gold, first announced by Mr Desai on August 21st, is easily understandable. According to him, private gold stocks in India may amount to some 100 million ounces, worth at international prices around £1,390 million, at Indian prices over £3,000 million—a potential source of foreign exchange equal to nearly three years' exports. But the difficulties of turning it into foreign exchange are equally plain.

If your correspondent were Indian, the modest bracelet he sought for sentimental reasons would more likely have been a heavy gold collar, intended primarily as an investment. For rich and poor here, gold is the normal form of savings and of ostentation. The poor man's bank and status symbol is his wife's neck, wrist or ankle. The rich man who also finds gold, as ornaments or plain bullion, a convenient way of concealing wealth from the prying eyes of tax inspectors keeps substantial quantities in his safe deposit. It was a rumour that these deposits would be frozen that led, two weeks ago, to the withdrawal of about a ton of private gold from Delhi banks. Gold is also *de rigueur* for dowries and other customary presents. The government is seeking to effect as great a change in social habits as last year's (largely theoretical) abolition of the dowry system, or the equally theoretical enforcement of prohibition.

The omens are bad. And these are not the only difficulties. The poor man is not just a slave of habit in investing in gold. Shares being above his head, except for houses or land, gold is his only safe and tangible means of saving. And in India it is an excellent hedge against inflation. Domestic gold prices have risen more than 30 per cent in the last ten years, and around 8 per cent in each of the last two. Since the middle of 1958 India's only major source of gold, the Kolar fields in Mysore, have delivered their entire production (around 160,000 fine ounces a year) to the Reserve Bank. The market, for all purposes, has had to depend solely on private de-hoarding and on smuggling (which is a substantial source: £2,000,000 of smuggled gold was seized last year, and ten to twenty times as much may have come in, including, according to Bombay merchants, from £2,000,000 to £5,000,000 worth from Goa soon after its seizure). The annual demand however, may be as much as £115 million. of which three-quarters, perhaps, will be purely for investment. The difference between domestic and international prices (about

\$82 a fine ounce, against \$35 elsewhere) is another headache. The government, in any case, can hardly offer cash rupees for gold without risking inflation. But neither, unless it is prepared to lose heavily on the deal when it sells the gold abroad, can it offer rupee bonds without some measure of compulsion. Who is going to offer gold for government paper at less than the market price? (It is possible, of course, that the mere fear of compulsion may bring domestic prices down.) Bonds redeemable in gold in, say, 30 years may be an answer. But the poor man has no great faith in official promises, and the rich man has already indicated unofficially that unless they are bearer bonds, or as the finance ministry caustically put it, unless they are as convenient for tax evasion as gold, he is not interested either.

On the other hand, compulsion—for instance, a limit to total gold holdings per family—implies policing. With the gold habit as ingrained as it is, the gold police could hardly hope for more success than their colleagues in prohibition. The likeliest solution seems to be bonds coupled with rigorous control, not on holdings, but on trade in gold.

One likely casualty is the gold futures market. The largest of these markets, in Bombay, is already only a shadow of its former glory, with membership down from a prewar 600 to 200, and trade so thin that news of a big customs seizure is at once reflected in prices. Its function is purely speculative: the actual users, the goldsmiths who might have turned to it for a hedge against price variations, do not, in fact, do so. And many of the big operators have decided that there is a limit to the money to be made, in a shrinking market, by taking in each other's washing.

Bombe d'Essai

FROM OUR PARIS CORRESPONDENT

WHEN General de Gaulle sends up a kite he frequently appears indifferent to the way the wind is blowing; but in fact he watches closely. On September 7th, when he addressed an audience of German officers at the military academy at Hamburg, the general proclaimed "an organic co-operation between our two armies" to be essential. He added that the building up of a modern arsenal required the pooling of "scientific, technical, industrial, financial" resources and capacities. These startling phrases alarmed many people with visions of a German finger in the French nuclear pie.

Nothing has been done so far to clarify what he really meant, and political attention in France has been turned to the presidential succession. But the need for elucidation remains. How much Franco-German military collaboration has there been up to now? Nominally, the French have two full divisions in Germany. This is less than their Nato quota; and General de Gaulle has made it plain that when the divisions brought back from Algeria have been reorganised they will not be stationed in Germany under an integrated Nato command. The German forces, for their part, have been getting increasing training facilities on French soil. But it is not only in France that the German forces have been training in greater numbers.

In the technological field examples of direct Franco-German

co-operation go further back and are more numerous. In the nineteen-fifties the building in Germany, under French licence and with French technical aid, of thousands of twin-engined *Noratlax* transport planes and of *Fouga Magister* training jets played a big part in the recovery of the German aircraft industry and of the Luftwaffe. Among more recent projects there is the joint financing and production of the *Transall* military transport plane developed by the French. There have also been heavy west German orders for the *Supra-frilon*, the new heavy helicopter produced by Sud-Aviation.

Clearly, all this does not amount to a special and exclusive relationship between France and west Germany. Indeed, on the two occasions when the French most needed German support they found that it crumbled away. The Germans decided last year to buy and build not the French Mirage 3 fighter (which had been bought by the Swiss, the Israelis, the South Africans and the Australians), but the American Lockheed F-104G Starfighter. This decision was apparently taken in spite of General de Gaulle's personal intervention, and the French claim that it deprived them of markets in Belgium, the Netherlands and Italy, which tend to follow the German lead. Even more recently, the Germans have been backing the Hawker-Siddeley VTOL fighter in preference to the French supported Dassault.

It is difficult to find out from French officials whether General de Gaulle's words at Hamburg herald a new era in military relations with Germany. They deny that there is any question of integrating—in the manner that was proposed for the European Defence Community—French and German units, though exchanges of officers are to be more frequent. They are rather vague about the new forms that technical co-operation is to take. It is known that German scientists have been working ever since the war at the French ballistic research centre of St Louis, near the German border. The status of the institute was altered by an agreement in 1958 (at that time there were 85 Germans on a staff of 310). It is now run jointly by the two countries, and is available for use by either. The field of research has also changed from anti-aircraft and anti-tank studies to rocketry. This is one kind of pattern of co-operation that may be followed in the future.

In the nuclear field the situation is naturally even more mysterious. Obviously, the main reason for secrecy is that legally this is still a forbidden field for the Germans. But the veil covering future plans may also partly reflect differences in outlook between the two potential partners. It is believed here that the Germans have two kinds of objective when they back, or tacitly accept, the present French military plans. To get some advantages for their own forces, and to get involved in the production of atomic weapons, even by French proxy, are only subsidiary aims. The main objects are to obtain a bigger voice in Nato strategy, to keep a check on American policies and to prevent any possible western deal with the Russians. Responsive as Dr Adenauer may be to General de Gaulle's visions, few politicians in west Germany would, on a cool calculation, entrust their military fate for the next decade or so to a French strike force.

For the French government, by contrast, the problem of keeping American forces in Europe is subsidiary. (General de Gaulle seems to think that they will leave one day, anyhow.) The main task now is to provide France with its own deterrent. M. Messmer, the minister of defence, again claimed this week that France will have a token strike force—based on atomic bombs and Mirage 4 planes—next year and an effective one, with H-bombs and rockets, by the end of the decade. Views differ about its likely "effectiveness." But there is general agreement that it will in any case be costly. It is here that a substantial contribution from German industry and finance could fit into the gaullist pattern.

If such thoughts crossed General de Gaulle's mind when he

praised the military virtue of the German nation, nothing has been done as yet to make them public. The silence is not, in itself, surprising. A German share in the French nuclear arm would mean a general row, with fear and suspicion among the European allies, anger in Washington, and Mr Khrushchev, as likely as not, edging dangerously close to the brink. This is one possible reason why the matter is left in the air. "Organic co-operation" between the armed forces of France and Germany is as yet just another explosive unknown in the rapidly shifting nuclear equation of the North Atlantic world. But it is an unknown worth studying. General de Gaulle's kites are not usually sent up for amusement.

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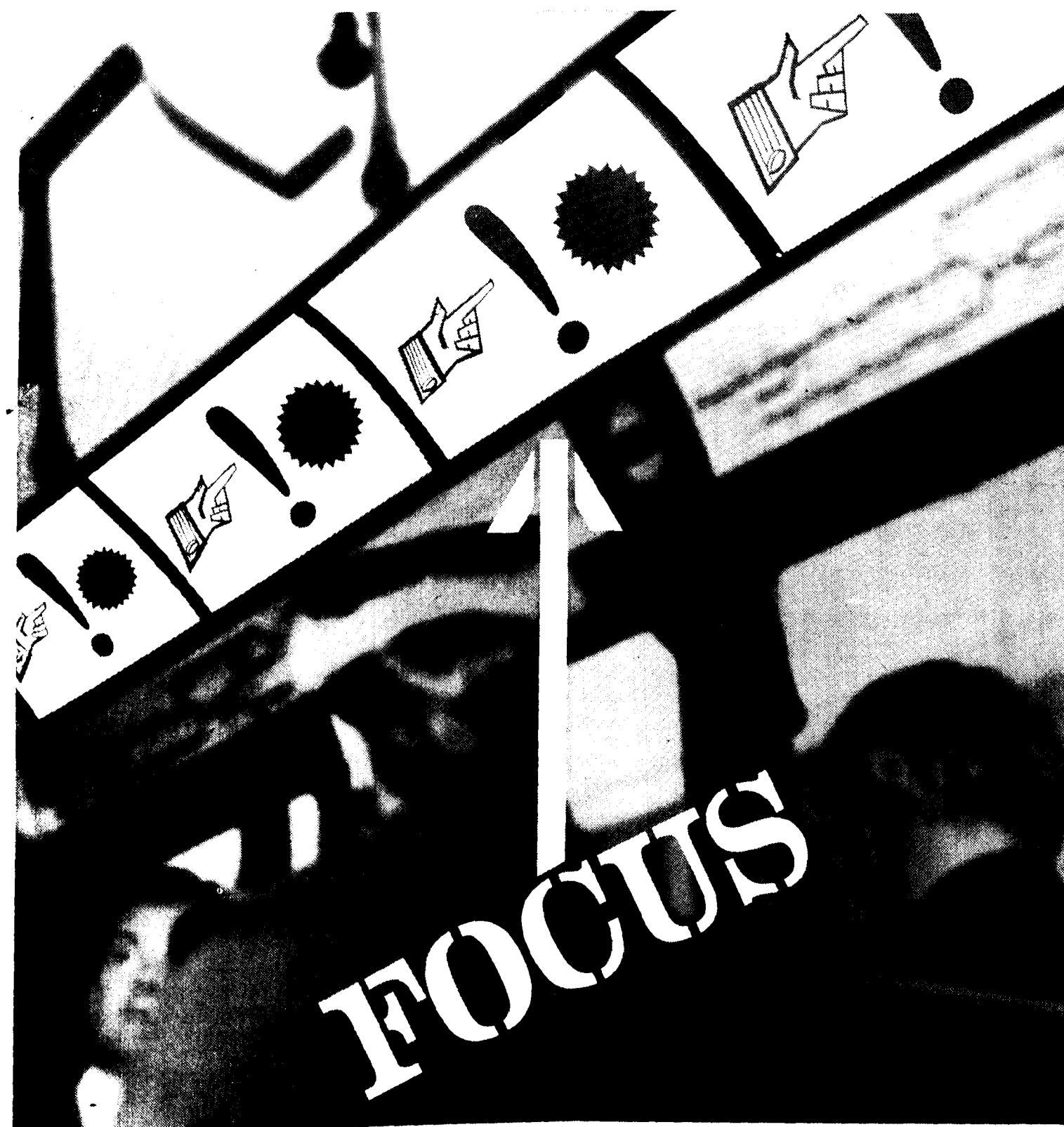
No Hero's Welcome for Dief

FROM OUR CANADIAN CORRESPONDENT

WHATEVER Mr Macmillan makes of the aftermath of this week's Commonwealth circus, he can at least be assured that Mr Diefenbaker returned to no hero's welcome. The great majority of the Canadian newspapers are highly critical of the line he took in London, and most business and professional people share this view. One of the strongest attacks on Mr Diefenbaker's conduct appeared in the *Toronto Globe and Mail*, a Conservative newspaper which has never been a docile follower of "Dief the Chief." It declares that the Commonwealth conference has failed to serve any important purpose. "It failed," says the paper, "to give Britain any convincing reason to change her European policy. It failed to give Britain any help in pursuit of her policy." As for Mr Diefenbaker's role, the *Globe and Mail* says he was the only prime minister to produce a distinctive thought in his closing speech, but, it adds, "with the best will in the world there must be doubts about his motive." The British Government, it says, had made a considerable effort to isolate the Canadians, and "Mr Diefenbaker may have felt the need to regain the centre of the stage." His proposal for a free-world trade conference may look bold and imaginative, says the paper, but it does not really amount to much. "Mr Diefenbaker succeeded briefly in diverting attention from the central problem of Britain's negotiations with Europe, but his own plan is no real alternative."

Among political leaders the only support for Mr Diefenbaker has come from Mr Robert Thompson, the Alberta chiropractor who is nominal leader of the Social Credit party. Spokesmen for the New Democratic party poured scorn on Mr Diefenbaker's alternatives and conferences, and Mr Lester Pearson, the Liberal leader, launched a full-scale attack which is no doubt a preview of the line he will take when Parliament meets next week. Calling Mr Diefenbaker's attitude "negative and sterile," he condemned the government's policy in three parts. First, said Mr Pearson, it refused to take seriously the possibility of Britain's joining Europe. Second, it "whined and complained last autumn at Accra in a way that was humiliating to every Canadian." Third, in London "our prime minister with no mandate from the Canadian people has been carping and negative while seeking headlines by talking about some alternative plan which now turns out to be no plan, certainly no alternative." Mr Pearson declared that a Liberal government "would have formally declared its acceptance of the importance and desirability, on political as well as economic grounds, of Britain's new role in the developing European Community."

Although the course of events in the new Parliament remains unpredictable, most political observers are coming round to the view that the Conservative government may yet have a life of



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some months. Mr Pearson has left no doubt that his tactics will be to attack hard and try to bring on an election as soon as possible. But it now seems unlikely that the two small parties will support his opening motion of no confidence. The government therefore not only has to present a programme which could serve as the basis of a new election appeal, but must also be prepared to go ahead and enact it in the present Parliament.

Kurdistan's Hot and Cold War

WHILE the *New York Times*, in a recent series of articles on the Kurdish revolt in northern Iraq, has been giving publicity to the Kurdish leaders' urgent appeal for western help, the August issue of *World Marxist Review* (the English edition of a periodical published in Prague) has put into tolerably plain words the slide of communist opinion in favour of the Kurdish revolutionaries. The Kurds, who have been fighting a resolute guerrilla war against the Iraqi government for more than a year, would probably accept outside help from where they can get it. So far they claim to have received none at all, and their leaders speak bitterly of the world's indifference to their struggle. The odds are still heavily stacked against their getting any assistance from the West; the question now is whether they stand a chance of getting material, as well as moral, support from the East.

General Qasim, the prime minister of Iraq, regularly charges Britain and the United States with fomenting the Kurdish revolt. His foreign policy is based on a trinity of anti-western accusations: neo-colonialism in Kuwait; oil imperialism; subversive activities in Kurdistan. The third charge has always been sturdily denied not only by Britain and America, but by the Kurds themselves.

But the approach of winter brings new problems to the Kurdish insurgents. The Iraqi army and air force have been able to make very little ground against the guerrillas, who claim to have encircled five Iraqi garrisons and to control about half the 25,000 square miles of Iraqi Kurdistan. But the Kurdish villages have suffered from insistent bombing by the air force, and with their supplies largely cut off they face a time of cruel hardship. It was largely with this in mind that the revolutionary leader, Mullah Mustapha Barzani, made his recent efforts to end the fighting. A couple of months ago he sent his brother, Ahmed Barzani, as an emissary to Baghdad to negotiate with the government. But General Qasim's terms were unconditional surrender and the imprisonment (although probably temporary) of the Kurdish leaders. The talks were broken off; the fighting went on.

Barzani has now made a bid to get American help, although what sort of help is still undefined. On Kurdish initiative, the *New York Times* correspondent in Beirut set out on an arduous, and sometimes dangerous, 42-day trek that, last month, brought him to Barzani's mobile headquarters in the mountains. He was there presented with the arguments showing why the United States should support the Kurds. In the guerrilla leader's own words:

We could be useful to the United States. As the Communist party serves the interests of the Soviet Union, we would serve the United States. . . . In time of war you will need us. Look at our strategic location on the flank of any possible Soviet advance into the Middle East through the Caucasus . . . we are the best soldiers in the Middle East.

There are compelling reasons why this appeal for co-operation will have to be ignored. The lesson of non-interference in the internal struggles of independent Arab countries has been painfully, and perhaps conclusively, learnt by the western powers. Many British Middle East hands retain an instinctive sympathy for the long-frustrated aspirations of the courageous and witty Kurds; but this sympathy is not shared by most Arabs, even by those Iraqis who most urgently scheme for General Qasim's downfall. The Kurdish

struggle to establish a national identity is seen as one of the many rocks in the way of Arab unity. The revolt has engendered new bitterness between Arabs and Kurds (the Kurds claim to have killed 4,000 Iraqi soldiers); anger against the Kurds still lives on for the part they took in the murderous fighting at Mosul in March, 1959. The effect on Arab opinion might be enough by itself to dissuade any western country from giving material help to the Kurds; there is also the fear of political repercussions in Turkey and Persia, where three million Kurds live as potentially dissident minorities.

Here is one, vital difference between American and Russian interests. The Russians, faced with some of the same embarrassing diplomatic calculations as the West, have in the past been cool towards the Kurds in Iraq; in Turkey or in Persia, they would welcome a Kurdish revolt as a knock against the Central Treaty Organisation. Without treading on any toes that matter, the Russians can proclaim as a statement of general principle that the ultimate solution of the Kurdish question is tied up with the struggle to end imperialist domination in the Middle East. (But what about the fragment of Kurdistan that is part of the Soviet Union?)

The much more difficult question for both Moscow and the Iraqi Communist party has been to take up an attitude to the fighting in north Iraq. The scales, at first, were heavily weighted against the Kurds. From the Russian point of view, General Qasim's anti-imperialist foreign policy is fine; the Iraqi Communist party has as much, or as little, influence as any other political group in present-day Iraq; moreover, Mullah Mustapha Barzani has not helped his cause with the communists by wedding his Kurdish party clear of extreme left-wing elements. The *World Marxist Review* gives his party faint praise:

The Democratic party of Kurdistan, headed by Mustapha Barzani, is a party of the national bourgeoisie and the small liberal landowners. It also includes part of the petty urban bourgeoisie and intelligentsia. It pursues an anti-imperialist policy.

But General Qasim has become a lonely, feudal figure. If the Russians are to retain their reputation of being in step with revolutionary movements among the Arabs, the time has come to move on. And so, in Iraq, as in Turkey or in Persia, the communist line links the Kurdish national struggle with the Arab struggle against the oppressions of a dictatorial regime. The Iraqi Communist party has gone a stage further: at its congress in March it agreed that "in the present situation" the solution of the Kurdish problem would mean the establishment of self-government in Iraqi Kurdistan within the Iraqi Republic.

But the line taken by the *World Marxist Review* (which usually reflects Soviet thinking) is that self-government for the Kurds can be achieved only by means of a "peaceful mass struggle on a broad national front." Except by joining such a national front, runs the argument, the Kurds would be incapable of finding a solution that would be in the popular interest. This invitation to take part in a peaceful struggle, carrying, as it does, no suggestion of help in the shape of arms or money, is unlikely to inspire the fighting Kurds. For the time being, it seems, Mullah Mustapha and his men will fight on alone. The campaign that will decide Iraq's political orientation when General Qasim finally departs is being fought "peacefully" in the towns, not defiantly in the mountains.

Jordan's Nine Lives

FROM OUR MIDDLE EAST CORRESPONDENT

IN April, 1957, when the tide of Nasserism was flowing strongly, few would have staked much money on King Hussein's chances of survival. Refuting the experts, he is still on Jordan's throne, no more and no less secure than he was five years ago. The deepening divisions in the Arab world preclude any inter-

national ganging-up against Jordan. The opposition to the regime inside the country is unorganised, though vocal enough to keep apprehension alive. There are many, and not only Palestinians, who deeply resent the government's attacks on President Nasser. The current propaganda line, that he is a western stooge preparing to come to terms with Zionism, is generally treated with the contempt it deserves.

The government of Mr Wasfi Tell, formed in January, has been a stimulating experience. It has clipped the wings of the "old gang" and introduced new blood. Such impeccable Arab nationalists as the Nuseibeh brothers have been appointed to high positions. Baath-Socialism is no longer a dirty word, partly because since Syria's secession from the United Arab Republic, it is no longer considered dangerous. At least some of the apparatus of the police state has been dismantled. Arbitrary arrests have been halted, political prisoners have been released, and there is a conspicuously more generous measure of freedom of speech. In comparison with, say, Egypt or Iraq, Jordan has the indefinable feel of a free country.

Continuing dependence on substantial American and British aid is a sore point. It makes a mockery, for instance, of official assertions that President Nasser is an imperialist puppet. A western statistician recently concluded that given stability (a big if), Jordan could become independent of foreign aid within ten years. To bring this about, energetic measures would be necessary in the fields of agriculture, tourism and the phosphate industry. Even more important would be the streamlining of tax collection. There is a perfectly good income tax law in Jordan, but, in the absence of adequate machinery for enforcement, evasion takes place on a massive scale. At present, much of the money for budgetary support contributed by the United States and Britain could well come out of Jordanian pockets.

The country has just emerged, apparently unscathed, from a prolonged crisis in the shape of a dispute between the prime minister (who is also minister of defence) and the commander-in-chief, Habes Majali. The squabble was about army appointments, and approached boiling point when King Hussein was away this summer on his visit to Britain. It needed the King's tact to find one of those satisfactory compromises under which both sides may claim to have won. The system of military promotion was embellished by the establishment of the post of military secretary, through whom all questions affecting seniority will now be channelled, while the prime minister has been told to limit his interest in army affairs. Whether the compromise will work remains to be seen.

Jordanians are still trying to catch up with inter-Arab affairs after the breakdown of the Arab League meeting at Shtaura.

Anti-government factions have been quick to point out that both Jordan and Saudi Arabia ratted on Syria when the final vote was taken on whether or not to adjourn the meeting. Their argument is that if these two countries had stood by Syria, and worked a little harder on such uncommitted countries as Tunisia and Sudan, the outcome on August 30th might have looked better for Syria than the 10-1 vote for adjournment. But no Jordanian, whether for or against the government, wants the league to be dissolved. For one thing, the Israeli project to divert the Jordan waters is certain to be brought up at the United Nations General Assembly, and the authority of the collective Arab voice would be seriously diminished if the league broke up on the eve of the debate. Compared with the life or death issue of the league, the recent agreement for "semi-union" with Saudi Arabia rates very low. It is reported that the government itself is lukewarm towards the project, while the general public will show interest only if it sees the colour of King Saud's money—which it probably never will.

In the economic field there are several encouraging signs. The East Ghor project, financed by the United States, for diverting

the waters of the Yarmuk to irrigate land on the left bank of the Jordan, is going so well that the scheduled date for completion has been advanced from April, 1964, to April, 1963. The Israelis are likely to make the most of this at the United Nations. Direct budgetary support from Britain is down this year by £500,000, but funds for development are up by £250,000. This re-allocation in favour of development is in itself a healthy sign. Better still is the fact that the expensive British-built desert road from Amman to Maan is now completed, so that whatever money is available can be spread over a wider area. Particular attention is being paid to marketing problems: last year 40 tons of tomatoes rotted because they could not be got away in time.

Tourism is becoming an increasingly valuable national asset, and its pattern is changing. Hordes of people still pour into Jerusalem and Bethlehem annually for Easter and Christmas, with side-trips to Petra and Jerash. But the publicity given to the Dead Sea scrolls has aroused a taste for the more abstruse archaeological treasures of the country, and there are now passable roads to such remote places as Qumran and Mount Nebo. There is even, to the dismay of devoted antiquarians, a motorable road leading right into Petra. Hotel accommodation is being actively expanded and improved. Only in one respect, the training of cooks, must one report almost total failure. That battle of HP sauce, which still stands on every Jordanian table, has a lonely and uphill job.

A Crisis in Andorra

FROM A CORRESPONDENT IN SOUTH-WEST FRANCE

REACTIONARY stupidity . . . episcopal mischief making . . . liberal aggressiveness"—the sweet Pyrenean air was suddenly sulphurous with political invective. Tourists had to keep looking at the signposts to remember where they were. Northwards FRANCE 32 kms., to the south ESPANYA 10 kms.: twenty-five miles of limbo, high in the Pyrenees, could only be Andorra—but, it was an unfamiliar Andorra, festooned in alien-seeming slogans. "Liberty or death!" cried the walls of an hotel. "Long live the bishop!" replied the church porch. "Long live the Sindic!" asserted the pavement.

By tradition, political discussion is frowned on in Andorra: only heads of families may vote, and the mayors of the tiny state's six parishes may nominate their successors. But during the last few years tradition has begun to wilt. Tourism now contributes more to the economy than the Andorrans' traditional occupations—farming and smuggling, and control of the administration is passing from the traditionalist rural landowners and peasants to liberal urban businessmen.

A few months ago the 24-member Council of the Valleys elected Sr Julia Reig, head of Andorra's leading tobacco firm, to succeed Sr Francisco Cairat, an 80-year-old landowner, as Most Illustrious Sindic (chief executive). Sr Reig, a brisk energetic man of 50, set himself two objectives: to invest the chronic Andorran budget surpluses in an ambitious programme of public works (chiefly roads and a five-mile road tunnel), and to give the country a more modern, more democratic administration.

A test came when the four-year term of the mayor of Les Escaldes expired and the outgoing mayor nominated a Sr Casals to succeed him. A number of Les Escaldes citizens protested, demanding an election, and Sr Reig declared the nomination invalid. He was vigorously supported by a "progressive" and hitherto unnoticed Andorran Youth Organisation (OJA). Andorra's two "co-princes"—the President of France and the Bishop of Urgel (just over the border in Spanish Catalonia)—were then invited to express their views. The French co-prince, through his local representative, upheld the Sindic's veto. The episcopal co-prince stood out for

tradition and insisted that Sr Casals be proclaimed mayor.

The present Bishop of Urgel was a chaplain in General Franco's forces during the Spanish civil war and is famous for his military ire. When the Sindic refused to back down he announced a "withdrawal of confidence" from the present Andorran administration and requested the Spanish authorities to close the frontier to Andorrans bearing passports signed by Sr Reig. The Spaniards complied and are now insisting that Andorrans wishing to enter Spain carry travel documents signed by the senior councillor for Canillo parish, a docile follower of the bishop.

Temperatures in both camps—the episcopal and the Andorran



Fresh Markets for Italian Wines

FROM A CORRESPONDENT

HAVING agreed to apply tighter regulation to the production of its export wines to match the similar laws in Germany and France, Italy is to gain reciprocal rights for the eventual free entry of its wines into other countries of the common market. This will benefit its many wine-growers, but in varying degrees. The more popular bottlings, such as the average varieties of Chianti, Bardolino and Lacrima Cristi, which have achieved improved standards in recent years, can expect good sales in western and northern European cities where the presence of so many Italian workers is already providing a growing demand for them. Some better but less widely known types, such as Verdicchio, will certainly obtain wider markets. The question is whether a few other scarcer but excellent wines, which do exist in fair quantities despite a general belief to the contrary, will now at last find foreign recognition.

Notable among such supposed rarities are two Tuscan wines, Brunello from Montalcino south of Siena, and Nipozzano from the vineyards of Pelago east of Florence. This Nipozzano, originally listed as a superior variety of Chianti, is now classified specifically under its own name. This follows a development in Italy broadly similar to what happened in France years ago when the better quality French wines, because of individual characteristics derived from situation and soil, were given the right to controlled labellings under their exact vineyard rather than regional titles.

The Chianti wines are made with a large percentage of Sangiovese grapes and with varieties such as Trebbiano added, but Brunello is produced exclusively from one special sub-variety of the Sangiovese. When mature, Brunello has a velvety texture. After eight years or more in the bottle (it can be kept for thirty years or so) it acquires a subtlety of taste and a

fruit-like aroma equal to a good Côte Rôtie of the Rhone valley. Yet should an export market develop for a wine like this, its price, which is reasonable enough today, is bound to rise since it can never be made available in really large quantities.

Germany produces mainly white wines, so that full-bodied and sound red types are always scarce there and must be imported. These red varieties, which are found in especially generous amounts in Piedmont, should under freer trade receive a ready reception north of the Alps. In the eighteenth century the fine wines from the hills south of Turin were keenly appreciated by European connoisseurs. Comments on their excellence appear in the travel notes of more than one German prince and English nobleman. But in the nineteenth century the merchants of Piedmont tended to concentrate their efforts more upon selling such industrialised products of the vine as the factory-blended vermouths and the bubbly Asti Spumante.

Today, encouraged by better marketing laws, it looks as if the good red wines of Piedmont may soon regain their international reputation. The best areas, where the traditional types of Barola, Barbaresco and Grignolino flourish, still need to be classified more individually with guaranteed bottlings under specific vineyard labels. But this is now promised, and when the promise is fulfilled export sales will mount. The finest wine in the Barola district has in fact been entitled to the carefully guarded name of Opera Pia for many years, and this is fit to serve on the most distinguished occasions. At a dinner given last year in Buenos Aires by prominent members of the Italian colony in honour of the visit of the president of Italy, two wines only were served. One was Barola Opera Pia and the other was the white Verdicchio dei Castelli di Jesi,

which comes from the hillsides west of Ancona on the Adriatic.

What then of these white wines? Are there any that can compete on direct terms with those from France and Germany? Certainly none can ever match the finer Sauternes or Burgundies, or the best wines of the Moselle or Rhine. But taste today, particularly in luncheon wines, is inclining towards lighter, drier varieties. For this reason, the Italian Verdicchio—equally dry, delicate and reasonably priced—should quickly be enthusiastically accepted; it is available in quantity from various good shippers. But this may not be quite so true of some other white wines. The limpid Soave or the slightly sweet Prosecco stand up well enough to a hot day in Verona or Venice, but to many palates they seem a little thin when drunk in northern climes.

Frascati, too, despite its apparent fame, is actually little more than a *vin de pays*, best tasted where it is produced. There is even a local saying of some truth that a good fresh Frascati will not last the fifteen-mile trip down the hill from its vineyard to the outskirts of Rome. But certain whites of more sturdy character, which possess vaguely scented flavours (definitely acquired tastes but not to be scorned for that reason) should be mentioned since they are already on export lists. The best range from the fine natural Sicilian wine called Corvo, from near Palermo, to the Vernaccia that comes from north of Cagliari in Sardinia. A heavily textured but tangy dryness marks the Corvo; the Vernaccia is a strong white dessert wine with (like other Sardinian wines) a penetrating taste that can hold its own with strong-tasting food. (It is recommended served cold with smoked eel). As Italian southern dishes become more sought after in northern European countries, so the unusual wines that often accompany them will doubtless attract many new buyers.



LETTERS

Common Market

SIR—The first leading article in *The Economist* of September 8th argued that "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" (page 866). And last week (page 990) "root and branch opposition to the whole idea of British membership of the common market . . . can and should be brushed aside."

I venture to suggest that the advocacy of our joining the common market as an urgent economic necessity has from the beginning been based on a misconception. It has been supposed that to remain outside would mean "the cutting off of these islands from the continent." But tariff walls, unless of extravagant height, do not cut off. In a world where protective tariffs are generally practised, every country has to adjust its export trade to the tariffs of the others.

Whenever there is an important change in a country's tariff policy, all other countries have to adapt themselves to it, and the process may be painful to some of them. The protective effect of a given tariff wall is greater the more important the community it encloses, and it may well be that the redeployment which the formation of the European Economic Community means for some countries a serious dislocation. The Treaty of Rome has recognised this in providing for a transition over a considerable period of years. But, the transition once over, the outside countries will find themselves in substantially the same position as before; their exports will have everywhere to surmount protective tariffs, as they do now.

In the last years of the nineteenth century grave fears were repeatedly expressed of the rising tariffs of Europe and America, but in the result the effects on world trade and in particular on British exports were not very formidable. But in the conditions of world trade at the present time there are grounds for expecting the dislocation to be much less than it was then. European industry like British is heavily over-employed. The recent spell of tight credit has only slightly moderated this state of things and its effect is now passing. The effect of a customs union among the Six is to favour the supply of their needs by one another. But having no idle productive resources to spare, they can only supply one another's needs by supplying less to the rest of the world. The outside countries will have to supply one another's needs, and will offer

their producers markets equivalent to those they lose.

The redeployment will of course involve some loss, but if Britain joins the common market, the resulting redeployment will still be a serious matter. The strongest industries will enjoy the advantage of selling free of duty in markets hitherto protected against them. But there is no considerable reserve of labour to be drawn on to enlarge their output. On the other hand, all those British producers who have relied on the protection afforded by our tariff will be exposed naked to competition from the Six. It is usual to dispose of their misgivings by pointing to the bracing effect of competition. But those of them which are really dependent on tariff protection already have all the competition they can cope with.

Is it clear that British industry will suffer more dislocation and loss by staying outside the common market than by entering it? To answer would require a detailed survey of the prospects of particular industries under both alternatives, and any result arrived at is likely to be very conjectural. Surely it is evident that the threat from the common market is not a great emergency calling for panic measures.

A new protective tariff has serious political repercussions. It is a friendly act to those who come within it, and an unfriendly act to those outside. For Britain, entry into the common market means discrimination against the Commonwealth, an unfriendly act which cannot be disguised. The various concessions to Commonwealth countries most under discussion are in the nature of material compensations, and may be compared to a cash settlement on dissolution of partnership. They do nothing to meet the root and branch opposition which you say "should be brushed aside."

The political aspects of the question far transcend the economic. The Treaty of Rome is definitely intended to lead up to a political union. On the far-reaching issues which that would raise I will not speculate.—Yours faithfully,
London, W8 RALPH HAWTREY

SIR—In your article last week entitled "For Gaitskell and the Empire?" you lower *The Economist* still further towards the level of a cheap propaganda sheet. At no time in the past year have you seriously examined the real issues, political or economic, involved in the choice before us on the common market. At no time have you shown elementary awareness of the value of the new Commonwealth to this country.

A paper once edited by Bagehot and

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F. W. Hirst proposes a massive system of taxes on food imports into Britain without ever discussing, let alone analysing or justifying, the implications of such a policy. At no time have you seriously tried to estimate the effect on the UK economy—or specifically on UK exports—of joining the Six on Mr Heath's terms. Do you think that this does not matter? You have never fairly presented, let alone examined or answered, the arguments of Sir Roy Harrod, Professor J. E. Meade, Sir Arnold Plant and Sir Donald MacDougall. Are these the people you describe as a "mad army" of the "unskilled labourer class"?

By your deplorable exhibition over the past months, you have lowered *The Economist's* standards and reputation to the lowest point ever. Schoolboy gibes now regularly take the place of intelligent argument on what you yourself describe as "the most portentous step in peace-time history." Last week you fell far below even your own miserable level.—Yours faithfully,
DOUGLAS JAY

House of Commons, SW1
[O dear!]

Common Market

SIR—Is it not now apparent that the attitude taken up by some of the Commonwealth Prime Ministers this last fortnight shows that Britain will no longer be able to rely on some of the Commonwealth countries if ever she badly needs their help again? Does not this invalidate the whole argument that Britain must not do anything to break up the Commonwealth? If for the sake of the Commonwealth we do not do what we feel is right for ourselves now, i.e., go into Europe, what guarantee is there that in 3, 5 or 10 years' time other countries of the Commonwealth will not decide to take actions inimical to us but of benefit to them locally?—Yours faithfully, PAUL NISBET
London, NW8

Labour Resolutions

SIR—Your correspondent's analysis of the resolutions submitted to the 1962 Annual Conference of the Labour Party deserves supplementation and slight amendment.

It is not only this year that on defence and foreign policy anti-leadership resolutions are disproportionately concentrated in middle class areas. For the last four conferences anti-leadership resolutions have always originated in seats with Conservative MPs, and anti-leadership resolutions from constituencies with Conservative majorities of over 10,000 have always totalled more than those from all Labour constituencies put together. The pro-leadership resolutions show a different pattern. Most have come from Labour constituencies, about two-thirds in both 1960 and 1961.

For the final agenda this year 42 constituency parties proposed amendments hostile to the leadership on various aspects of party administration and discipline. Only 11 came from Labour constituencies, the

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remaining 31 came from Labour Parties in Conservative areas and 16 from constituencies where the Tory majority was over 10,000. In addition, of these 42 amendments, 30 came from constituency parties which had sent anti-leadership resolutions to at least one of the last four conferences, and only one from a constituency party which had previously supported the leadership, while every one of the 12 amendments advocating the latest line of CND and more nationalisation came from a party with an anti-leadership tradition.

This suggests that opposition to the leadership comes from the same small group of those constituency parties farthest from local and national power. Most Labour parties in Labour-held constituencies, more involved in responsibility and more satisfied with the leadership, have less inclination to search around each year for the means to attack their leaders.—Yours sincerely,
GEORGE JONES

Nuffield College, Oxford

Mutual Funds

SIR—In your issue of September 8th, on page 904, you make the following categorical statement: "Nor have fees ever been lowered except under pressure from shareholders themselves." This statement is quite incorrect in the case of at least two funds, The George Putnam Fund of Boston and The Putnam Growth Fund—both of which I have served as Trustee since organisation in 1937 and 1957 respectively.

In 1950 the trustees of The George Putnam Fund voluntarily proposed to the shareholders an amendment to the Declaration of Trust providing for a reduced scale of management fees and again in 1960. In the case of The Putnam Growth Fund which was organised in 1957 the Manager voluntarily reduced its compensation from a straight 1% of 1 per cent to 1/2 of 1 per cent on the first \$150 million and 4/10ths of 1 per cent on any amount over \$150 million. This change was made voluntarily by The Putnam Management Company effective August 1, 1961, and was subsequently approved by the shareholders at the annual meeting last year. At that time a further reduction was made in the rate of 35/100ths of net assets in excess of \$300 million.

None of these changes were made "under pressure from the shareholders themselves" or even the slightest implication of pressure. They were made because we believed it was sound policy to do so. From a dollar-and-cents point of view it is very easy to over-emphasise the effect of a reduction in management fees on the value of the shareholder's investment in the fund. For example, if the total compensation paid to the manager and trustees of The George Putnam Fund during the year 1961 had been cut in half, it would have amounted to less than 3 cents per share on a year-end value of \$17.05 per share.—Yours faithfully,
CHARLES M. WERLY,
Chairman of the Board,
Boston The Putnam Management Co. Inc.

BOOKS

Nostalgic Converse

Rationalism in Politics and Other Essays

By Michael Oakeshott.

Meinhen. 333 pages. 35s.

"A CIVILISATION (and particularly ours)" says Professor Oakeshott, "may be regarded as a conversation being carried on between a variety of human activities, each speaking with a voice, or in a language of its own; the activities (for example) represented in moral and practical endeavour, religious faith, philosophic reflection, artistic contemplation and historical or scientific inquiry and explanation." This book of essays is the ample and varied record of such a conversation carried on with diverse audiences during the past twelve years.

"In a conversation the participants are not engaged in an enquiry or a debate; there is no 'truth' to be discovered, no proposition to be proved, no conclusion sought. . . . Of course, a conversation may have passages of argument and a speaker is not forbidden to be demonstrative; but reasoning is neither sovereign nor alone, and the conversation itself does not compose an argument." Mr Oakeshott is himself a brilliant conversationalist with a gift for writing; the records of his conversation appear in that neglected art form, the essay. And it is as an essayist that he deserves notice and admiration. His wry and sophisticated musings are decked out in an elegant style which abounds with epigrams and a love for all that is civilised. They should be compulsory reading, especially his essay *On Being Conservative*, for every brash and impatient undergraduate who sees politics purely in terms of problems to be solved and his personal life in terms of "commitments" to be entered into, or who mouths inanities about the "two cultures."

Some, however, might take these essays to be serious contributions to political philosophy. They might be encouraged to do this by the opening sentence on the dust-jacket which proclaims that "This book splendidly refutes the vulgar notion that political philosophy is dead." Issues, too, are raised which philosophers, both ancient and modern, have repeatedly discussed. These discussions have often been characterised by clarity, precision of thought, relevance, and rigour of argument which is the mark of philosophy at its best. But these are not among Mr Oakeshott's virtues as a writer. Many of his themes (they cannot be called "theses") are stated so vaguely and elusively as to be well-nigh irrefutable; or on analysis they turn out to be subtle and sophisticated tautologies—e.g. the main theme about "tradition." Terms with

subtle overtones to them—e.g. "ideology"—are used in a highly general way that obscures important differences—e.g. between ideals, rules, and principles. Professor Oakeshott is perhaps a somewhat isolated thinker with a tenuous grasp of the concrete and the mundane. There are times in fact when the reader wonders what on earth he is talking about. He is also isolated in the sense that he has obviously participated in few of the "conversations" that have been going on in philosophical circles since, roughly speaking, the hey-day of the British Idealists. There have, for instance, been extensive discussions in recent times of matters to do with reason, practical knowledge, imagining, historical explanation, etc., about which Professor Oakeshott writes. But he has obviously spent his time in other company. His work as a political philosopher lacks the solidity of a connection with any living tradition. To most philosophers it must therefore seem somewhat quaint and homespun, though there may be some who may discern on it the impress of eternity.

What, then, is to be said about the content of Mr Oakeshott's writing even if it is to be understood only as a series of essays in which a civilised and conservative disposition is elegantly articulated? Certainly the political essays were timely and had point at the time when they were composed. During the late 1940s, when our minds were fuddled with targets to be hit and plans to be implemented, when groundnuts jostled with lorries and cement in the foreground of our consciousness, and when Britain stood, before the resuscitation of Europe, between the rival "ideologies" of East and West, there was point in calling attention to our hump. There was point in reminding us of the old saws about politics touched on so ably in the past by Burke, Hume, and Bagehot. But now, after what seems an age of Conservative rule, with momentous and unprecedented problems at hand like entry into the common market and the handling of atomic energy, to enlarge on such a theme seems a bit banal—rather like telling a dying man that all men are mortal.

There are times in the development of a society when it is good to be reminded that politics is the attending to the arrangements of a society and the pursuit of what is intimated in its traditions; that the job of government is to govern and to act as an umpire between competing interests. But there are other times when traditions (in any ordinary sense of "tradition") become outmoded or when unprecedented types of situation arise. At such times talk of prob-

lems to be solved and of fundamental principles is not out of place—if it ever is in a world of rapid social change. Professor Oakeshott, in his elusive talk about remedying incoherences, exploring sympathies, establishing harmony, allows for such occasions within his framework. But his way of talking about them minimises their importance in comparison with the protection of what is established. He tends to dismiss the entirely legitimate preoccupations of the theorist, the planner and the radical by a caricature of their enterprises. Like many metaphysicians he rigs his concepts to match his mood. And his mood is one of civilised nostalgia for a form of life that is gone, perhaps for ever.

In Praise of Cities

The Death and Life of Great American Cities

By Jane Jacobs.

Cape. 458 pages. 30s.

The Future Metropolis

Edited by Lloyd Rodwin.

Constable. 250 pages. 30s.

MRS JACOBS is an associate editor of the magazine *Architectural Forum*, but her main qualifications for writing this book are that she loves cities, loves living in them and has a very sharp and discerning eye for what makes city life good. To her, suburban is almost a bad word. Moreover, she writes in a direct, lively and unpretentious way, unlike the planners with whom she is at such odds. Their concepts of the City Beautiful, the Garden City, the Radiant City, all neatly schematised in the planners' minds, seem to Mrs Jacobs anachronistic, unrealistic and lacking any appreciation of the diversity and vitality that give city life its excitement and profit. "Projects"—the great blocks, surrounded by dull stretches of grass, in which poor people are isolated—seem to her a standing invitation to crime (the lifts and corridors are notoriously dangerous even to adults), cruel, and what is almost worse, dull, for dullness leads directly to new slums.

What Mrs Jacobs cherishes is a varied neighbourhood, varied in people and income groups, and varied in uses, with a night-club jostling an undertaker, a row of terrace houses nestling under a sky-scraper, a grocer up against an art gallery. This variety makes streets safe, because they are constantly full of people, attracts new ideas and activities and fosters community life. Safety in the streets and parks and blocks of flats is fortunately not such a preoccupation in Britain as it is in great American cities. But what Mrs Jacobs has to say about how to diversify the withering Wall Street area (and about the costly and, she thinks, mistaken plans of the Downtown-Lower Manhattan Association) are very pertinent to the City of London. Of equally general interest is what she has to say about the placing of

public buildings and the disciplining of the motor car. But perhaps the most useful lesson of her book is the respect she pays to ordinary people and to their ability, given a little encouragement, to "unslum" their own communities.

Not everyone, and certainly not every American, prefers Greenwich Village to the joys and miseries of suburban life and it can also be argued that Mrs Jacobs is preaching to the converted. Few planners are as enamoured as they used to be of bull-dozing great tracts and immuring people in a series of barrack ghettos. Saving neighbourhoods is much more in style. The city-planners have learned a little humility as well as caution; they are not sure that they can make every city into Utopia. But in "The Future Metropolis," a collection of essays by a dozen experts which were published last year in *Daedalus*, there are things that would make Mrs Jacobs squirm: neat diagrams of cities, a project for a Garden City in the Bronx, socially segregated from the rest of that cultural wilderness, and very little feeling for the human beings who must live in these well-regulated hives.

Marxist Heretic

Traité d'Economie Marxiste.
Vols. I and II

By Ernest Mandel.

Julliard, Paris. 516 and 555 pages. 45 NF the two volumes.

MARXIST economic theory has in the last few decades presented a picture of stagnation and decay. Continental Social-Democrats, German and French, have openly renounced the doctrine as antiquated and have yielded some sort of a monopoly on Marxism to Moscow. In Soviet hands the theory has turned into quasi-ecclesiastical canon and has undergone almost complete ossification. True, more recently fresh thought has stirred under the dogmatic crusts, but it has not yet had enough vigour to break through.

However (as a writer in the *Times Literary Supplement* has remarked) in communism as in Christianity the doctrine is alive not in the Church but in the heresies. M. Mandel, a Belgian socialist, is obviously a heretic: the guardians of the Muscovite orthodoxy would certainly excommunicate him as a "revisionist" and "Trotskyist." He is in fact heavily indebted for his ideas to Trotsky and other anti-Stalinist Marxists, to whom he should have frankly acknowledged his debt. But he is an independent thinker, combining an exceptionally wide erudition with a remarkable lucidity and fluency of expression. His treatise is by far the best popularization of Marx's economic theory that has appeared for forty or fifty years; and it is far more than that—an ambitious, and largely successful, attempt to bring the doctrine up to date. The author tests, for instance, Engels's theory on the origins of family, property and state against the rich

findings of modern ethnology. He restates the theory of "Das Kapital," replacing Marx's Victorian facts and statistics by contemporary empirical material. Where Marx's analysis, of necessity, centred on western Europe or rather on England, M. Mandel surveys the rise and fall of economic systems, pre-bourgeois and bourgeois, on a global scale. In a most instructive series of chapters he assesses the changes in western capitalism that have occurred since the days when Hobson, Hilferding and Lenin presented their views on imperialism. His ideas on the "transitional economy" and on the function and future of political economy will startle many readers—he expounds them in the brilliant and provocative style of classical Marxism.

The treatise also has its weaknesses. It just fails to come to grips with the "theory of crises" and the problems which the postwar trade cycles present to the Marxist. (M. Mandel, however, argues quite cogently that our economy is periodically confronted by the choice between slump and inflation and that inflation may in the long run become a factor of social instability almost as great as was the old type of slump.) The section on the Soviet economy is unfortunately all too sketchy and indeed outdated: it ignores nearly all the changes that have occurred in the course of the post-Stalin decade. Connoisseurs of Marx will miss in M. Mandel's exposition the philosophical profundity of the original; but others may prefer the "Cartesian" style of the *Traité* to Hegelian dialectics. But whatever its weaknesses, no student can afford to ignore this very important work. It is to be hoped that an English edition will be available soon.

Persia in Brief

The Land of the Great Sophy

By Roger Stevens.

Methuen. 307 pages. 42s.

THIS is a book to be applauded. Before it appeared the intending visitor to Persia had difficulty in obtaining adequate information about that country. A number of travelogues have appeared during the last few years, and archaeological studies and specialised works on various aspects of Persian art and literature are available; but all these tend to be either subjective or limited in place and scope. Sir Percy Sykes's history was published in 1915. Lord Curzon's monumental tome is now out of print. In general the volume of literature on Persia is small compared with that on the rest of the Middle East.

The reason is the subject's complexity. Persia is an enormous country, whose scenery varies from deserts and arid astringent mountains to the lush green of the Caspian area. Situated on one of the former great trade routes of Asia, it has been overrun, divided, conquered during its 2,500 years of recorded history and so subjected to a variety of external influences. Its people, welded together from diverse racial

elements, have made a major contribution to the world's artistic heritage and possess in Isfahan a city that can take its place beside Athens or Rome. Lastly, it presents an enigma. Throughout all tribulations the Persian character has persisted, possessed of an indefinable capacity for taking something from those influences to which it has been subjected, and by some mysterious alchemy transmuting this into an amalgam distinctively its own. To summarise all this in around 300 pages, not merely to tell the intending visitor what he should see, but to enable him to understand it, would seem to be attempting the impossible. This however is exactly what Sir Roger Stevens has achieved.

The first part of his book contains an admirably readable and concise outline of the topography, history, religion and art of Persia and, while not claiming to offer a full explanation of the Persian enigma, provides indications of where this may lie, which will stimulate the visitor to reach his own conclusions. It should on no account be skipped, for it is essential to the understanding of the excellent descriptions of the various provinces and their outstanding monuments to which the second half of the book is devoted—to the appreciation of Persia from within. It would have been helpful if the numbers of the illustrations could have been quoted in the text where appropriate; and the correct translation of Kotal-e-Pir-Zan (page 232) should surely be The Pass of the Old Woman. These, however, are minor shortcomings in an invaluable book, which everyone going to Persia should not only read but also possess for constant reference.

Doing Good

From Charity to Social Work in England and the USA

By Kathleen Woodroffe.

Routledge and Kegan Paul. 253 pages. 30s.

WHEN Clara Vere de Vere found that time was heavy on her hands, she was exhorted by Tennyson, in familiar Victorian language, to "teach the orphan-boy to read" and "the orphan-girl to sew." The beggars at her gate and the poor about her lands provided her not only with a social obligation but also with a means of personal expiation. As Miss Woodroffe points out in this interesting collection of linked essays, the motives prompting people to enter social work in the twentieth century are sometimes the same as they were in the golden age of the Lady Bountiful. The context has changed so much, however, that the nineteenth century history of social work has a remoteness which misleads as much as it fascinates. We are still living in its shadows. The low incomes of social workers derive from the Victorian emphasis on "a sense of vocation, a traditional approach, and the value to be placed on personality"—as Professor Simey put it in 1947, the birth year of the postwar welfare state. So too does the tardiness in the claim

for professional status. Social workers need to study history as well as psychology or sociology if they wish to understand their own role in contemporary Britain.

The chief merit of Miss Woodroffe's well-documented essays—sometimes they seem over-stuffed with quotation—is their range of historical and geographical reference. The first essay deals with the problem of poverty in the midst of Victorian plenty. It adds nothing to existing knowledge, but it sets out what is known in sober and orderly fashion. The last essay is called the "new look in social work," but it does not seem quite up-to-date. The effects of twentieth-century "affluence" deserve a long-term comparison with the effects of Victorian plenty. Already the debate on welfare seems to have shifted from the position where Miss Woodroffe leaves it:

No longer a sedative for social revolution, nor a shock-absorber for the unmerited blows of an unkind economic fate, social work can become a catalyst, bent on releasing human personalities imprisoned by poverty, fear, ignorance and sloth.

For both historians and social workers the most illuminating of these essays are those which discuss the work of the Charity Organisation Society and those in Part II on the development of social work in the United States. The influence of the COS has been reinterpreted in recent years. More than any other body it systematised notions of social work, evolving techniques that could be transmitted from one generation to another. It depended upon attitudes, however, which are far more open to question. While breaking free from Lady Bountiful traditions, it generated an obsolescent but still surviving social philosophy. The last may not have been heard of it.

The material on the United States, which Miss Woodroffe uses to good advantage, is too little known in this country. It should have considerable educational value in the training of social workers. Writing from Australia, Miss Woodroffe shows how the patterns of problem and response in nineteenth century Britain and America were not very different and how and why they have diverged in the twentieth century. It would have been interesting had she supplemented this analysis with some account of what happened in Australia. This story has never been told, and it might succeed in further clarifying what has happened both in Britain and the United States.

Luxury and Riot

Jacobean Pageant: The Court of James I.

By G. P. V. Akrigg.

Hamish Hamilton. 442 pages. 50s.

"We fell to luxury and riot," wrote Bishop Goodman during the Civil War, when he looked back on the reign of James I with guilt and nostalgia. Indeed the king had behaved like a *nouveau riche* when he arrived in his promised land. His court combined magnificence with vulgarity, splendour with vice, pomp with de-

bauchery. He encouraged court parasites to batten on crown revenues, and the virtue of ministers and civil servants was corroded by corruption and rapacity.

Professor Akrigg, of the University of British Columbia, has used the literature of the period together with recent work and some research of his own on manuscripts to present the spectacles and dramas of the Jacobean court. The reader is soberly escorted past the christenings, funerals, weddings, progresses and masques through which James and his following lurched drunkenly. The king's private life was unedifying, and his reign is rich in dramatic and scandalous stories, which are here fully related. Some pleasant chapters on the artistic achievements of the reign are interspersed, while political history is sandwiched between the descriptive chapters. James's financial difficulties and the abortive efforts of Cranfield to achieve equilibrium in the latter years of the reign are discussed between the visit of the King of Denmark in 1606 and an appraisal of Cecil, who died in 1612.

That Professor Akrigg was not trained as an historian is apparent in his chapter, "The Courtier's Life," where he describes the hypothetical day of an imaginary courtier. And when the painting of court scenery is abandoned for a discussion of the actors the judgments are often questionable. It would be interesting to have the evidence for the view that Lord Henry Howard, a sycophan-

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tic intriguer, was "a first-class administrator." The frivolous Buckingham is credited with keeping the Privy Council at its task of retrenchment, though later we are told that he saw the Council as "an administrative tool to be used for his own convenience"; filling it with "abject creatures of his own." The view, discredited fifty years ago, that James inherited a major financial crisis from Elizabeth is repeated; and the claim that James "in one way or another did stave off bankruptcy" neglects the fact that his own folly had brought it so close. It may be true that "a Renaissance court was bound to be addicted to costly display," but Richelieu was nevertheless able to cut court costs. It is difficult to agree that if James had died in 1619 the verdict upon him would have been much more favourable. He ineptitude had already been fully revealed, not least in the Cokayne experiment, an episode here unrecorded. To say that James's "choice of ministers was on the whole good" omits the point that their policies were hamstrung by king and favourites; and it is distinctly charitable to say of James merely that "he had a notable weakness for handsome young men." James's court was outrageously expensive; and so, for what it has to offer, is Professor Akrigg's book which adds nothing to what has been better handled in recent publications.

Indian Thought Moves Forward

Socialism, Democracy and Industrialisation

By Amlan Datta.

Allen and Unwin. 118 pages. 16s.

MR DATTA writes elegantly, and what he has to say is always decent and liberal. But a hundred western writers have said many of the same things. They, too, are in favour of freedom of thought and co-operation, against totalitarianism and the class war. What makes Mr Datta important is that he is not western, but Indian, and that his little book is an admirable example of what has recently been happening to Indian political thought.

Independence has been absorbed. Not one of his essays is concerned with imperialism. He does not blame anything on colonial exploitation. He has not a word for the wonders of the old Indian village republics, or the unsuitability of machines for the Indian soul. But he does not write simply as a westerner, either. He never forgets that his country is poor, and needs to industrialise in order to provide the most elementary of livings for its people. He emphasises again and again the difficulty of extracting the surplus for industrialisation from a society of poor peasants; he can defend hand industry in terms of the cheapness of the labour of the marginal member of the family; he sees as a major objection to the decentralisation of industry the

preference of the enterprising in countries like his for government service.

Mr Datta writes in the normal terms and with the normal illustrations of political economists everywhere. He talks of socialism, not, like Mr Nehru, of the "socialistic pattern of society"; of co-operation, not of sarvodaya. He uses with equal facility illustrations from Germany and Yugoslavia, Japan and Russia.

The way in which he uses the Japanese and the Russian experience is, therefore, highly significant. He sees, for instance, as westerners very rarely have, that the samurai leadership of Japanese growth has shown that economic growth is not tied to the governance of any particular class, and that the semi-monopoly nature of pre-war Japanese industry fits well with the Schumpeter thesis that monopoly may lead to growth in circumstances of rapid technological change. More interesting still, as a sign of the way in which Indian minds are now moving, is the way in which he treats Soviet Russia not as something which is being born, but as something which has already happened, just as much a historical experience as Engels's Manchester. One sees why Mr Nehru's favourite taunt at the communists is that they are old-fashioned.

No Party Man

The King of Hearts: Charles Talbot, Duke of Shrewsbury.

By Dorothy H. Somerville.

Allen and Unwin. 384 pages. 40s.

THIS is a very thorough and meritorious biography. It is also a very dull one. This is a pity, because it is full and detailed, and because Shrewsbury, one of the key figures of late seventeenth century politics, needs a biographer.

His childhood began with disaster. His mother ran off with the Duke of Buckingham, and his father was killed in the ensuing duel. As an adult he twice played a decisive part in English history: the first time when with six others he signed the letter inviting William III over to England; the second, when he took the Treasurer's staff from the dying Queen Anne, and used his authority to ensure the Protestant and Hanoverian succession.

In between these two events, Shrewsbury's influence was admittedly spasmodic. He repeatedly avoided taking office on the grounds of ill-health (he suffered from asthma and tubercle) and for the crucial early years of Anne's reign he was in Italy where he made a late and surprising marriage to an Italian widow and collected works of art. In spite of this reluctance to play an active part, Shrewsbury is interesting politically because he was one of a small group of great men who stood above the embryonic Whig and Tory parties at a time when party government was regarded with suspicion by both crown and parliament. In moments of crisis Shrewsbury acted like a Whig, but he was acceptable as a minister to both parties, and like many others he kept

up a tenuous connection with the exiled Stuart kings.

Mrs Somerville is sometimes slightly misleading: it cannot be proved that the Earl of Leicester's marriage to Lady Sheffield was valid, and Sir Robert Dudley's attempt to prove his legitimacy failed; and it is an over-simplification to write as if the two-party system existed under William III. But in general she is careful and painstaking, and has been able to draw on original sources. Her book is therefore valuable and cannot be ignored. What is lacking is any feeling that Shrewsbury's life was significant, or that he made any contribution to the turbulent and controversial politics of his time.

One has only to compare this book with Dr Kenyon's "Life of Sunderland" to realise that it is not enough to master the intricacies of a period. The issues that are of permanent importance need to be sifted from a mass of detail so that the whole can be interpreted and made interesting to the reader.

Reconstruction

Dinosaurs

By Edwin H. Colbert.

Hutchinson. 288 pages. 50s.

ONE hundred million years ago dinosaurs dominated the land areas of the world: they were numerous, ubiquitous and varied. Thirty million years later they had all disappeared, unable to compete with their smaller but quicker-witted and more adaptable mammalian relatives. Many members of the two dinosaur groups are familiar from artists' impressions of the primeval world—the nimble Ornithomichus, the eighty-foot Diplodocus, the savage Tyrannosaurus. But the evidence on which these reconstructions are based, and how that evidence was obtained, is less well known. For each new species the clues had to be pieced laboriously together—was it carnivorous or herbivorous; quadrupedal or bipedal; warm- or cold-blooded? To what other species was it related?

In this book Dr Colbert, who has worked for many years with the collection at the American Museum of Natural History, not only surveys what we know about dinosaurs, but tells how that knowledge was obtained. The fierce competition between nineteenth century palaeontologists; the techniques used in locating, extracting, preserving and interpreting the fossils; the gathering of unexpected details about dinosaur natural history from a study of their footprints: these are only a few of the subjects which contribute to this story of discovery. The result is an easy-to-read book that gets to grips with the techniques and facts of science as well as its generalisations. And, praise be, all this with only a passing reference to the hackneyed and totally inappropriate comparison between the rise and fall of dinosaurs and those of human dynasties.



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THE BUSINESS WORLD

By Jove He Did It!

FROM OUR SPECIAL CORRESPONDENT IN WASHINGTON



THIS year's conference of the International Monetary Fund opened in a euphoric atmosphere more appropriate to the baroque attractions of the Hofburg scene of last year's monetary crisis than to the grand Babylon bustle of Washington's Sheraton Park hotel. Messrs Jacobsson and Roosa had already made statements of marked optimism before the meetings opened. "One can worry too much," said Dr Jacobsson, and his statement on Monday, well argued as ever, showed how far he had cast away care. He declared that fears about a scramble for international liquidity were exaggerated out of all proportion to reality, and believed that an increasing number of industrial countries regarded their reserves as sufficient for balance of payments needs. After the prolonged period of postwar readjustment, he perceived progress towards an equilibrium sufficient to reinforce confidence in currencies recently under pressure and to assure maintenance of the present monetary structure with stable exchange rates.

Dr Jacobsson's views are always heard with respect, since he has called the turn in economic trends more accurately than any forecaster of this generation. But this time there were sceptics, not least among the contingent of Wall Street bankers, dubious whether dollar fence-mending was completed and anxious about the permanence of the present adequate liquidity. Both Dr Jacobsson and Mr Roosa (the latter in a special article published by the Federal Reserve Bank of Philadelphia and neatly timed before the conference) emphasised building on what we have, and this seemed too gently evolutionary for many tastes. Mr Roosa had come out strongly for natural, organic change. A stronger system of international liquidity was not to be had by raising the gold price or giving a general gold value guarantee on dollars held by foreigners or by chasing the illusion of supranational money before a supranational government was in place to run it.

So there seemed precious little room for new initiatives against the apparently static positions already taken by the Americans and endorsed in important respects by Dr Jacobsson. But if impatience is seldom a virtue in international finance rigid minds are no use either. Neither the Fund nor the United States could be accused of rigidity in a year that has brought forth the \$6 billion borrowing agreement (though this is still, oddly, unapproved by Congress). Add to this the important series of new technical steps undertaken by the United States to economise the use of reserves by swap

operations through bilateral agreements for mutual holdings of currencies, so avoiding conversion of dollars into gold, and now direct purchases of currencies for dollars—what Mr Roosa has called the "groundwork for the most comprehensive restructuring of international liquidity arrangements since the IMF was founded"—and one can accept the proposition that confidence is being built up through continuing performance. But that is a good way short of establishing Mr Roosa's claims that the new structure being erected round the existing gold-dollar system can significantly improve liquidity of underdeveloped countries, cover heavy drains on leading currencies, and support expansion in world trade some years ahead. Dr Jacobsson broadly accepted the Roosa position in Monday's speech, stressing the adequacy of monetary reserves to support further economic expansion, backed by reciprocal central bank credits and the increased resources of the Fund when needed. Therefore policies that might suggest distrust of this situation—like a system of extensive gold guarantees—had no merit. Fluctuations in reserves could now be regarded with more equanimity and private hoarding of gold should abate. Developed countries owed a duty to developing countries to buy their exports and support special commodity arrangements, and they could now pursue fiscal and credit policies in co-operation for their own growth and so help all countries.

All this seemed to promise a pause for self-congratulation rather than any marked interest in developing monetary ideas or opening the discussion towards a further stage in the studied liberal evolution of the Fund's work. Some observers recalled that the "results within the range of practical politics" that Dr Jacobsson justifiably claimed for the Fund were right outside the range of practical politics only a year or two ago. So long as any risk remains for reserve currencies, which there must be on any view beyond the immediate one, final solutions to world currency problems will remain out of reach.

It was not therefore the most propitious background for the Chancellor's promised initiative. And it cannot be said that the first reactions to his notably general and longer-range suggestions for improving the working of the present gold exchange system were excitedly favourable. Speaking after the Chancellor, Dr Holtrop of Holland struck an astringent note: "I am against foolproof schemes that would make us all technologically unemployed." What Mr Maudling exposed

on Wednesday morning, however, seemed far from an automatic scheme:

I have in mind an arrangement of a multilateral character under which countries could continue to acquire the currency of another country which was temporarily surplus in the markets and use it to establish claims on a mutual currency account [in IMF] which they could themselves use when their situations were reversed. Such claims on the account would attract the guarantee that attaches to holdings in the Fund. We would hope that such a system would enable world liquidity to be expanded without additional strains on the reserve currencies or avoidable setbacks to their economic growth.

So while Mr Maudling agreed that the foundations of the gold exchange system were "solid," his further objective was to facilitate "the maximum expansion of world trade and avoid unnecessary obstacles to economic growth in the world as a whole or in individual countries." Mr Maudling's hearers found this vague and puzzling, though after exposure to the series of statements of impeccable financial propriety—not to say ramrod stiffness—many found the sound of growth more

THE SCHEME IN OUTLINE

Mr Maudling's scheme was outlined in deliberately general terms. He hopes that work on the details, bringing in officials of the IMF, may provide a draft plan for next year's Fund discussions, and sees no conflict with the recent extensions of liquidity through Mr Roosa's mutual currency holdings. But the aim is multilateral rather than bilateral—to generalise gold value guarantees under IMF auspices, and to provide an extension of international liquidity. Although no fixed positions have been taken, British thinking seems to run on the following lines:

1. A mutual currency account managed by the IMF would hold currencies in temporary surplus deposited by countries acquiring them. Such deposits would attract the gold value guarantee attaching to Fund holdings.
2. An essential feature would be that these deposits would represent supporting operations agreed between issuing and holding countries, so the scheme would not be applicable to "normal" holdings. Thus some datum level must be defined.
3. The scheme could embrace all *de facto* convertible currencies that the Fund would accept.
4. Deposits would be made against credit that could be used to redeem Fund acquisitions of the depositor's currency under the scheme, thus representing a swing credit arrangement.
5. Credit certificates would be in an international currency unit of fixed value in terms of gold.
6. The guarantee would obligate the country of issue to make good any loss falling on holders in terms of the issuer's own currency. Thus it would not extend responsibility for the guarantee to any non-issuing countries. Certificates would carry a minimal rate of interest.
7. Certificates would not represent a trading currency since they would not be generally transferable, but they would represent a constituent part of the reserves of the holder for redeeming its own currency coming into the mutual currency account. They might later be transferable between monetary authorities. Thus the intention is to endow deposits brought into this account with some reserve currency attributes.
8. The initiative for the deposit would come from the country under pressure, after consultation with the holder of its currency.

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euphonious than austere monetary abstractions. (An attempt has been made here to outline in a more detailed but necessarily incomplete way what is taken to be the gist of Mr Maudling's plan.) But the attitude of critics, while markedly reserved, stops short of outright rejection. The "group of ten" participants in the Paris agreement were able on Wednesday to include in their communiqué references to balancing international payments at high levels of economic activity and to continuing study for improving the international monetary system.

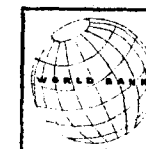
No doors are closed but some impressive guard dogs are attending them. M. Giscard d'Estaing, French finance minister, included in his speech on Tuesday on World Bank matters his statement on currency questions (he thus preceded Mr Maudling, as predicted, but by a day, leaving M. Brunet, governor of the Bank of France, to make an elegant exposition of French policy on Wednesday). M. d'Estaing promised French co-operation in the examination of long-range liquidity problems, but denied that expansion was hindered by insufficient liquidity; and no one, he remarked, was intending to use the borrowing arrangement. The fact that this arrangement is not yet in operation and adds nothing to the normal stock of liquidity slightly marred M. d'Estaing's logic, but not his emphasis: "No truck, no device of aid or compensation, can for long dispense with the primary need for equilibrium." M. Brunet, after referring to the "happy conclusion of the borrowing arrangement" (it did not seem like that at the time) declared that the same spirit should inspire new studies in the ever-changing field of international monetary settlements. But he also suggested that bilateral currency deals and agreements to limit fluctuations in gold, though interesting as experiments, were only on a day-to-day basis and not a permanent strengthening of the international system.

This seemed to let in some light on real inclinations. And careful reading of the speech of Dr Blessing, of the Bundesbank, though it was affected by winds of economic change and keyed by the proposition that international liquidity should be sufficient to provide adequate time to remove imbalances but scarce enough to enforce monetary discipline, let in another chink. Phrases like "institutional panaceas" and "institutional gadgets" showed the line of his thinking, yet even he conceded that "there is something to be said" for making available enough international liquidity for help "in cases of justified need."

Perhaps most disappointing was Mr Roosa's cool reaction, though it was predictable from what had gone before. Mr Roosa declared that Mr Maudling's proposal was far distant, and added that for the next five years the world need not worry about liquidity. He also disclosed that American holdings of foreign exchange were already approaching \$350 million, part having been bought outright without any guarantee; and that the United States intends to pursue this policy further as the American balance of payments approaches equilibrium. Thus there is a risk of flatly opposed intellectual positions of two good minds—the Chancellor's and the Undersecretary's.

But the fact remains that the first step has been taken. This most tentative plan is on the table (as other puny monetary infants have been before now) and cannot go unnoticed even if it does not survive.

Mr Black's Legacy



At the end of his address on Tuesday Mr Eugene Black, president of the World Bank, the International Finance Corporation and the International Development Association, received a standing ovation revealing deep admiration and affection for a remarkable figure of this generation. Bankers are not universally popular, but Mr Black's customers and shareholders represent mankind. His eyes have been fixed (to use his closing words) not on cold monuments of steel and concrete but on giving men grasp of technique and organisation, to make plenty a possibility and not a distant dream. In thirteen years under Mr Black's leadership, the World Bank has combined efficient banking with human purpose. Flanked by its affiliates, IFC in the field of private industrial banking and IDA providing soft loans without interest for projects and customers that are non-bankable, the Bank leads a family of complementary institutions together representing an outstanding act of creative imagination in the field of economic development. Mr Black modestly suggested that his retirement would let in new ideas (his parting is not the only change, since his remarkable colleague, Sir William Iliff, retires next month, too). The identity of Mr Black's successor was the most closely guarded matter of the whole conference; he should be named within a month.

But there is a clear need, as Mr Black emphasised, for new departures. The World Bank last year entered into its biggest commitments. Its loans to forty-five countries across the free world for development of transport, power, land improvement and industry now exceed \$4.4 billion and it has never lost a cent on any. Its technical assistance and educational services have become models that other dispensers of aid eagerly copy. But many member borrowers carry as much hard debt as is safe and few of the twenty new members expected to join the bank will be in any position to service loans from the bank itself. They will be looking to IDA for help.

The future of this institution has been in the forefront of conference discussions. A year ago in Vienna Mr Black warned member countries that IDA was running out of money, and appealed for voluntary contributions. Just one has been forthcoming, from Sweden, for thirty million untied kronor. IDA now has \$765 million, but these funds will soon be committed. Unless further funds are quickly assured, IDA will be unable to undertake any new loans after mid-1963. A resolution for urgent consideration of the enlargement of IDA's resources gave borrowers and providers an opportunity to express their predictable support and their predictable reservations.

Developing countries vigorously took up Mr Black's point that industrialised countries had received great benefits from improved terms of trade against the unfortunate producers of primary commodities. Mr Black cited one European country saving 8 per cent on its import bill between 1956 and 1961 through lower prices. On the reverse of the medal, thirty-four countries with 70 per cent of the population of the underdeveloped world doubled their external debt but increased their export earnings by a bare fifteen per cent in the same period. Spokesmen for the industrial countries

accepted the obligation for new IDA support in principle but were less ready to spell out what they would provide. For Britain, Mr Reginald Maudling made the particular point that subscriptions must relate to economic means of subscribers. Britain is the second largest contributor to IDA, and has put in two and a half times the amount of each of the next largest contributors, France and Germany.

It is natural that the Chancellor should associate assistance with means to pay. How can this be done? No one dare contemplate any change in quotas—the institutions faced and surmounted this hurdle once and shrink from trying it again. All countries, it seems, feel their share is unfair. Dr Zijlstra of Holland wanted contributions based on national incomes so that "this time we will not be faced again with the alternative of accepting the unreasonable or abstaining altogether." Dr Erhard's observations had a certain delphic quality:

The Federal Government of Germany both hopes and expects that it will not be forced against its conviction by the persistently contrary behaviour of other countries or even by the granting of inappropriate conditions for commercial projects to give up the principle of untied aid.

But Dr Erhard went on:

In view of the already very high bilateral assistance of the industrial countries the question of these countries' capacity to raise additional funds for IDA must be given special consideration when the additional subscriptions are considered.

The guardian elect of Mr Black's children will certainly have no easy task. He will be confronted with the kind of job Dr Jacobsson went through last year to obtain increased resources for IMF without disturbing its constitutional and voting structure—and from largely the same people. What was difficult in a situation that had common dangers even for currencies that felt themselves most secure is even more so for an operation proximately involving economic altruism and only remotely economic self protection. But Mr Black's plea for more multilateral and less bilateral aid is a powerful one. Tying aid to exports gives the recipient things he may not be ready for or even want; political factors play too large a part; and modern air terminals overlook land thirsting for irrigation. Most important, bilateral aid can put off painful tasks of economic reform.

So Mr Black leaves his family at a crucial stage, with aid taking more prominence and banking less. Somewhere between these two extremes of costly and costless loans there may be room, as Mr Rubio of Spain suggested, for countries that are "half-bankable" and could afford something in between—like Mr Rubio's suggested 3 per cent. M. Giscard d'Estaing, accepting the principle of more money with reservations, also suggested that selective terms were worth looking at. Amounts and terms will be closely argued among the developed countries in coming months. The tangible challenge remains—to meet the primary needs of least developed countries for capital development and to help them out of trading misfortunes after the prolonged spell of depressed commodity prices. It is a challenge that could turn back on developed countries if they are heading, as some good judges felt this week, towards trade recession and may soon for their own good be in need of more demand.

Success Without an S

WHEN electricity consumption in the United Kingdom is rising by about 6 per cent each year, while energy consumption as a whole is rising only about 1.3 per cent annually, it becomes obvious to any sensible man that the rate of electricity expansion must soon begin to be more moderate. Otherwise, reason tells us, there is only some measurable time before electricity begins to engross more and more and more of the fuel we finally consume, leaving no room for the ambitions of other fuel industries except as primary suppliers for conversion into power. Normal growth curves, after all, are S-shaped.

That is what wisdom tells any sensible man, except an electrical engineer—and in the long run it must be true. Unfortunately, in the short run it isn't: electrical optimism defies the conventional wisdom and comes out right. The rates of growth quoted above are just those for the consumption of electricity and total energy in Britain for the decade 1949-1959. The Electricity Council wisely, dealing with the somewhat faster growth in England and Wales alone, set its sights just below the ten-year trend line for the future, reckoning on a growth in future of 7 per cent per year. In practice, in the three following years its sales of electricity rose by 10, 12 and 8 per cent, respectively: the trend of growth steepened, instead of easing off.

It was all very well to say that this, against the accompanying trend of total energy demand, would imply that before 1980 there might be no room left for raw coal or maybe gas consumption in the British economy; it would, indeed, imply just that. But what matters in the industry now is that on December 28th last year the power system was fractionally inadequate to meet demand in a cold snap; and that at present the generation system has a reserve margin of only 7 per cent over "average cold spell conditions" against the 14 per cent it thinks to be operationally advisable. One can cavil at the long-term implications of electricity expansion; in the short run the industry has to step up current investment to reinforce the capacity it hopes to bring into commission between 1964 and 1970.

That will add significantly to the massive investment to which the supply industry is already committed—and of which it has already accepted obligations about the financing. As the programme stands, it represents the investment of just over £2,000 million during the current five years. Reinforcement of the system's capacity to meet demand and consumption rising at 7.8 per cent and 8.3 per cent a year respectively would add £300 million or more during the five-year period, bringing the programme up to the order of £2,400 million. The acceptance of a "target" rate of return of 12½ per cent gross on net assets, under last year's new dispensation for this nationalised industry, had set a clearly defined pattern of financing for the five years:

(£ million)	As is	As may be
Planned Investment	2,035	2,350
financed from—		
Depreciation	815	say, 835
Surpluses	336	335
Borrowing	884	1,160
Proportion of Self-Financing	57%	51%

One hypothetical pattern of financing for the enlarged invest-

ment programme that is now envisaged is set out beside the figures given by the Electricity Council. This would mean finding another £20 million over the five years in depreciation, and perhaps as much again in increased surpluses. But it would also mean obtaining from consumers another £35 million or so over the period to pay the extra interest on the extra borrowings; and the borrowing envisaged in this financing pattern would bring the industry's self-financing ratio down from the 56.6 per cent at which it is now aiming by a full five percentage points. Whether the Treasury would wear that remains to be seen. If not, still more would have to be obtained in surpluses—from the consumer.

EVEN for the programme already settled, these surpluses, and the electricity prices of which they form a small fraction, have to go up. Five area boards have already published increases in their tariffs, and by the end of 1963 probably all will have. As Mr Ronald Edwards, chairman of the Electricity Council which presides over the industry, said this week, these increases are not quite swingeing, but they are sizeable. The typical domestic consumers whose bills Mr Edwards cited, paying increases of no more than 1s. 2d. a week, are not heavy spenders on electricity to start with. Annually, some of their bills might go up from some £15 to £18 a year in different areas to £17 to £20-plus a year: percentage increases of from just over 9 per cent to nearly 18 per cent.

Many individual consumers will face larger relative increases than these: both consumers and the industry's employees will no doubt be eyeing the mounting future surpluses resentfully or covetously. Economically, there seems no reason to sympathise with either. The trade unionists will get the best bargain they can drive with their employers in this remarkably expanding industry. Consumers who object to providing less than 60 per cent of new investment out of prices in this nationalised industry—which is a lower proportion than private industry generally gets from consumers and much lower than some of the really heavily-capitalised private industries count on getting—should suggest where they think more of the finance for the new capacity they themselves go on demanding can come from. The gilt-edged market? Or the taxpayer? Electricity's present borrowings, via the Exchequer, are of the order of £170 million a year, and could easily, over the five-year period, average £230 million. To borrow more would further reduce any discipline that the price mechanism imposes on electricity consumption.

How far does the pricing of electricity now impose this desirable discipline? Last year the Central Electricity Generating Board carried through a general review of its own bulk supply tariff, designed to relate its charges more specifically to the cost pattern that area boards' demand imposes on the generation and transmission system. During the current round of retail price increases, most of the area electricity boards are similarly seeking to reflect this temporal pattern of wholesale cost, and the slightly different incidence of cost on their own distribution system, in the prices that the final consumer pays.

The day follow-on rate, in most tariffs, is thus going up much more sharply than any of the final bills cited above for

typical consumers would suggest. Indeed, it has to. Every consumer pays a standing charge or gets initial blocks of units at higher rates; so every extra unit he consumes gives him his power at a fractionally lower average price. This automatic downward trend in average price as total consumption rises, right across the market for electricity, is one of the elements that always make the industry's price indices, when reckoned on the average amount it gets every year from every unit sold, look so respectable. It also means that expansion in sales of electricity, over time, does not automatically garner the surpluses for self-financing.

Differential rates for power taken at off-peak hours, which in one board is now offered at half the follow-on price for daytime electricity, are designed to discourage this expensive

peak-hour consumption, and tempt consumers into the deep valleys of demand in off-peak hours. Yet the winter peak demand on the system each year—and in particular peak demand in any cold snap—must be imposed to a large degree by the switching on of occasional heaters all over the country by people, many of whom normally use no electric heating at all. It would take more than about a penny ha'penny a day-time unit to stop these topping up their other heat on a really chilly morning.

This remains, in spite of all the research and ingenuity of the tariff designers, the slightly frightening thing about electricity's undizzy success: that no price mechanism has yet been shaped that can take any reliable grip on its exponential curve of demand.

BUSINESS NOTES

THE ECONOMY

But Can He Do It Here?

While finding the climate in Washington not exactly sunny towards his international initiatives, the Chancellor has been receiving weather reports from the home economy, damp and unsettled, which promise some perplexities for economic policy on his return.

DURING the last two months indications of actual output in Britain, more buoyant than one could readily rationalise, have been strengthening the Treasury argument that re-expansion was beginning healthily and comfortably, without the inflationary moves that critics out ide (including here) had advocated. This month the same indicators, jerking downward again more sharply than one can readily rationalise, put the ball back in the other court. Official and unofficial interpreters alike may have deep misgivings about seasonally corrected figures during the holiday summer. After the minor fiasco with retail trade figures last month, Mr Maudling has clearly told the Board of Trade that provisional figures of their latest quality are something up with which he will not put; this month the Board is publishing no provisional estimate of retail trade.

This conjuncture of shaky figuring re-emphasises the scrappiness of the information filtering upwards on which critics have simply to sharpen their adjectives but Chancellors have to time and adjust policy decisions. It is no easier to understand why manufacturing production should have fallen two points in July than why it should have risen two points in June—presuming it did either.

Certainly the three months May-June-July still average 2½ per cent higher in manufacturing than the three before; but the real question is whether since April the upsurge has been spent and production has again levelled off. The figures we get next month—for August—will not necessarily tell us; psychologically, many industrial

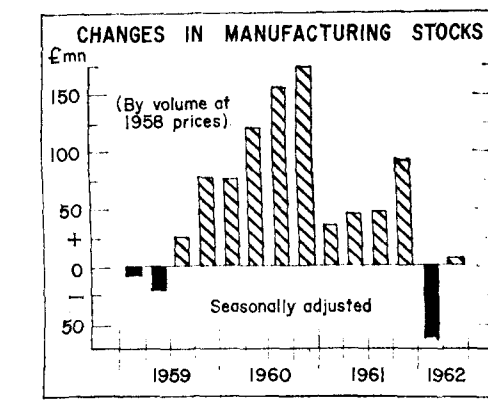
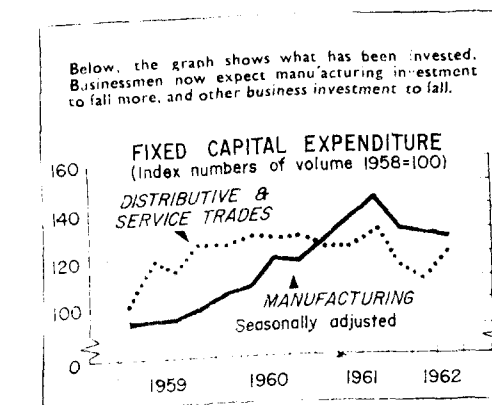
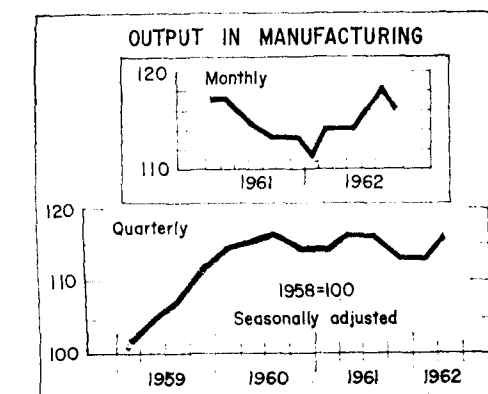
economists will argue that the trend depends a good deal on the set of the mind of manufacturers starting up production after their annual close-down for holidays. A factory may be run at a continuing pace until the holidays, even for stock; but choosing the level of activity to start up again involves actual decisions.

If manufacturers' short-term outlook is geared to, or even the basis of, their longer-term intentions, then there seem few signs of greater optimism. The Board of Trade last week published the results of its survey of private investment intentions for the rest of this year and for 1963: these showed greater pessimism. The manufacturers and distributors have revised their guesses for this year downwards—from 1 per cent down on 1961 to just over 5 per cent down in manufacturing, and from 8 per cent up on 1961 to just under 5 per cent down in distribution and service industries. The Board notes that "the fall in the actual

expenditure of the distributive and service industries in the first half of 1962 is consistent with this latest forecast"; cuts in shipping investment are the big element here, as cuts in steel investment are in manufacturing.

Very provisional estimates of capital expenditure in 1963 made by these businessmen during the summer, moreover, suggest that private industry's capital investment will fall by "about a tenth" next year from the lower level now forecast for 1962; in manufacturing rather more than 10 per cent, and in the service industries rather less. Investment in steel and shipping will certainly go on down.

Within the home economy, the Chancellor is faced with the same question as before. Could any direct stimulus to investment,



divorced from the reflation of other home demand, be expected to have significant effects, at least quickly? Are businessmen likely to need extra capacity for any increase in home or export demand that they can foresee in the short run? They may be now, on balance, rebuilding stocks: this has perhaps worked through to imports more quickly than one might have hoped. This is a corrective move, no doubt; but

how long need it go on to set them up for the level of business they expect this winter? Upon the inadequate indicators of home demand, unemployment, and now, of production, Mr Maudling has perhaps little economic alternative—let alone political—to general reflation. Yet already cautionaries in the Treasury, looking to the external account, can find fuel for their fears.

TRADE AND PAYMENTS

In Deficit Again?

At the same time that the domestic economic indicators are pointing to the need for official stimulation the external indicators, confusingly and disappointingly, are underlining the risks. The August trade figures were unequivocally disappointing. Exports, which had climbed by small steps in every month from January to June, allowing for seasonal adjustment, paused in July, with a marginal drop to £327 million; but in August, when seasonal adjustment is admittedly very difficult and unreliable, they slipped badly, to £309 million, no higher than the average for the third quarter of 1961. Exports in June, July and August together were still 2½ per cent more than in the three previous months, and up by the same amount in the first eight months of 1962 over the 1961 average. But an increase of this magnitude is not impressive for a period in which home demand has been kept back—and in which world trade has grown by 6½ per cent, the figure cited by Mr Jacobson for the first half of 1962 over a year earlier.

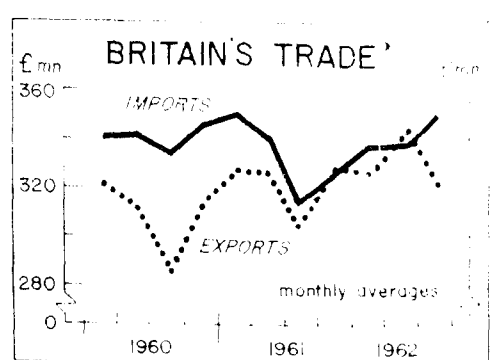
British imports, moreover, are now rising faster than exports, and it is Britain's high propensity to import that is causing most worry in Whitehall. In August imports fell back by only £3 million from the exceptionally high July figure of £390 million, and in June-August together they were 4½ per cent higher than in the previous three months. Nor, for a change, is there any suggestion that the partial strike in the Lon-

don docks had any special adverse effect on the figures. The upshot was that Britain's balance of visible trade is almost certainly back in true deficit. The crude gap as it appears from the trade returns rose from £36 million in the second quarter to £49 million in July and £66 million in August.

Looking Back on the Surplus

THE second quarter trade gap represented an actual surplus on a valuation of imports as well as exports fob. This surplus is estimated in the Treasury's latest balance of payments figures at £17 million, the best result since the second quarter of 1958. Income from invisibles was also strong, and a small decline in government spending combined with a maintenance of other invisible earnings at the much improved level of the first quarter led to a rise in net invisible earnings to £59 million in April-June. The total current surplus therefore rose to £76 million, bringing the surplus for the first half year to £96 million. At the beginning of May Mr Selwyn Lloyd risked the guarded forecast that the current balance might improve as much again in 1962 as it had in 1961, which would imply a surplus of some £150 million in 1962. This is still not impossible, though the last two months' import figures make it look rather hopeful.

The flow of long term capital turned



* As defined in the balance of payments, both imports and exports measured f.o.b. Last figure average for July-August, adjusted to be approximately comparable.

against Britain in the second quarter, as the inflow of portfolio investment dried up and private investment showed a net deficit of £44 million. The balance of current and long-term capital together—the basic balance—was still in surplus, by £16 million, for the third quarter running. But again, a basic surplus of £103 million in these nine months is not over-impressive—it is still probably insufficient for basic balance over the whole cycle.

The setback on private long-term capital flows in the second quarter, following surpluses now revised upward to £30 million for the first quarter of the year and £100 million at the end of 1961, was largely attributable to Wall Street's nose dive in May, and it would be surprising if the strong rise in the London gilt-edged market in July and September had not brought substantial foreign money back again. But short term funds are no longer flowing in. "Other monetary movements" showed an outflow of £24 million in the second quarter, and the obstinate surplus in the balancing item disappeared entirely: at minus one the official statisticians came within an ace of getting their sums dead right.

IN THE MARKETS

Silver Lining for Gilt

JULY's dip in industrial production had the paradoxical effect of pushing equity prices slightly higher in the middle of this week, the argument being that the lack of drive in the economy will compel Mr Maudling when he returns from the IMF meeting to propose a new initiative in domestic policies as well. Longer term prospects for equities, however, turn in some measure on the readiness with which any plans such as Mr Maudling's to ease the recurrent strains on the reserve currencies, sterling and the dollar, are accepted by financial authorities in other countries—on which this week's omens from Washington have been predictably discouraging. The speed with which production and profits (and hence equity prices) can grow both in Britain and the United States still depends, in fact, upon breaking out of the



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BRITAIN'S BALANCE OF PAYMENTS (£ million)	1961				1962	
	I	II	III	IV	I	II
Current Account:—						
Imports (f.o.b.)	1,054	1,026	945	981	1,012	1,015
Exports (f.o.b.)	983	982	914	984	979	1,032
Visible balance	- 71	- 44	- 31	+ 3	- 33	+ 17
Government (net)	- 86	- 89	- 86	- 77	- 97	- 92
Other invisibles (net)	+113	+117	+113	+ 61	+150	+151
Invisible balance	+ 27	+ 28	+ 27	- 16	+ 53	+ 59
Identified Current Balance	- 44	- 16	- 4	- 13	+ 20	+ 76
Long Term Capital Account:—						
Official Long Term	- 23	+ 12	+ 8	- 39	- 11	- 16
Private Investment (net)	+ 65	- 81	- 16	+100	+ 30	- 44
Balance of Long Term Capital	+ 42	- 69	- 8	+ 61	+ 19	- 60
Balance of Current and Long Term Capital	- 2	- 85	- 12	+ 48	+ 39	+ 16
Reserve fund	+ 9	+ 30	+ 53	- 12	+ 94	- 1

impasse of international finance. There is still therefore plenty of reason to be cautious about immediate prospects for equities, and most investors realise this: the slight rise in the middle of the week merely cancelled out earlier losses with the result that *The Economist* indicator was practically unchanged at 326.1.

The same forces that are inhibiting investment in equity shares, however, are reinforcing the attractions of fixed interest securities. These attractions are now positive as well as negative. The stock market still believes that the authorities are willing to see interest rates come down further. The gilt-edged market certainly fed on this assumption this week, when gains of nearly a full point were recorded both on Tuesday and Wednesday. As a result the price of the long tap stock, the 2008-12's, rose above its issue price to 95½ on Tuesday. At this point the tap became effective and on Wednesday, when the price remained unchanged, some sales were made through it. The issue at the end of August of a new tranche of this stock at what was then above the market price has from the authorities' point of view been doubly successful: it has prodded prices up and interest rates down and has yet given them an opportunity to reassert some control over the long end of the market. The rise in irredeemable stocks has not been stopped—War Loan momentarily rose above 62—but it has been restrained.

Elsewhere official ability to guide the market is relatively slight, as there is only the 1967 Exchequer stock on tap. With the gilt-edged market's appetite for medium dated stocks still so keen, the £4 million issue by the Dunbarton County Council was simply a morsel, quickly and easily swallowed. This 5½ per cent stock was dated at 1975 and offered at 96; it thus brought down the coupon on local authority issues with a bump from 6 per cent. Now Hendon is offering £3 million of a 5½ per cent stock, 1973-74, at 97. In these and other issues, the market is convinced that the tactic is to lead prices up, and pricing a new issue above the market can stimulate, rather than inhibit, demand for it.

With yields down to nearly 5½ per cent on the 1982-84's, 5½ per cent on the 1974's and 4½ per cent on the 1967's, the stock market must now, however, consider how much further and how quickly interest rates will be permitted to fall—especially if the balance of payments brings more worry in the second half of the year than in the first. In particular, it would not be out of keeping with past history (or possibly, indeed, with the authorities' inclinations) if they tried to reassert some measure of control in the medium-dated range of stocks.

EXCHANGES

All Right for the Moment

CALM in the currency markets has been maintained through the actual week of the IMF meeting. But this must not

be taken as a sign that exchange dealers share the satisfaction and faith in the stability of the existing system that has been expressed by the complacent wing (a regrettably large wing) of the financial authorities assembled in Washington this week. The currency calm of the past few weeks signifies something different, and much more limited—that dealers have not expected major changes in the price of gold or in exchange rates to result from this meeting itself. This, together with the reassurances from President Kennedy, repeated on Thursday, and the narrowing of the United States payments deficit following prepayments of European debt, have been sufficient to redress the relationship of the dollar in the markets and to induce the bear speculators to hold off. But they are expected back.

This week private buying of gold has been small, following some sporadic large orders ahead of the Fund meeting, and the dollar has made further progress against all currencies. Operators have covered three months short positions taken up in June, when the pressure on the dollar was beginning to build up. In Italy, helped by the ending of the peak tourist season, the dollar has risen off the floor against the lira, and it is now free of any need for support against all European currencies. In Switzerland it has risen further to 4.3260-65, and in London it has touched the parity of \$2.80—and on Tuesday would have risen above it (i.e. sterling would have fallen below \$2.80) without significant sales of dollars by the Bank of England.

Dealers both in London and on the Continent interpret this weakening of sterling primarily in relation to the dollar's strengthening rather than to an ebbing of confidence in sterling itself following the August trade figures. The market recognises that whereas earlier in the summer pressure on the dollar was disguising the normal seasonal weakness of the pound, this is now manifesting itself. At the same time, demand for dollars has brought some hardening of rates for Euro-dollar deposits, which in turn has made covered investments in the London short loan market less attractive, and has induced some withdrawals. But the trade figures have not gone unnoticed.

RAILWAY WORKSHOPS

Who Goes Home?

THE British Transport Commission, belatedly, has announced where it proposes to sack 18,000 men from the railway workshops. The unions, predictably, have said they will fight; less predictably, the National Union of Railwaymen has called a one-day strike for October 3rd to register its protest. Twelve workshops will close, taking with them over 10,000 men; the remaining 8,000 will come half from hoped-for "natural wastage"—though the compensation that dismissed men get may discourage this—and half from dismissals

at workshops that will be kept in use. The BTC says that it has tried to shift the bulk of its work to areas where labour demand is lower, and to keep redundancies in Scotland to nine per cent, when the average is 32 per cent. But closures such as Darlington, where 2,900 men are employed, will make a bad employment position worse—and puts the town on the list of development areas. About 3,000 men will lose their jobs in Lancashire, at Earlestown and Horwich; the Board of Trade will "encourage" industrial development there. Crewe, Derby locomotive works, York and Eastleigh (near Southampton) are the only big workshops where more work will be done.

The BTC estimates that contracting and modernising the workshops will save £30 million a year on their running expenses: at present they are operating at 80 per cent of capacity on a single shift—which makes costs already excessive. If the existing labour force was kept on, by 1966 the workshops would be working to only 55 per cent of capacity and costs would have risen by 35-40 per cent. Then, the BTC says, costs would be substantially above those of private industry—for the latter's sake one hopes this is an understatement. The BTC is not, however, prepared to say how costs compare now. The cuts have been inevitable for years by now; perhaps the railways will at last have a manufacturing and repair system that is tolerably efficient. They certainly need it.

DOMESTIC APPLIANCES

Bloomsday

PRESTCOLD appliances, trundled on to the road by Mr John Bloom of Rolls Razor, should certainly do better there than waiting for orders in a quarter-used factory. Mr Bloom, Rolls' managing director, is convinced that his direct method, which is now selling as many 59 guinea washing machines as he can produce (2,700 a week), can double the sales of Prestcold refrigerators in a year. Pressed Steel may be less sure that cutting out the retailer is the only permanently effective way of selling appliances, but in the present state of demand it believes it is the only means of making the price cut of about 20 per cent which may clear the ground for further activity. For them the step is a drastic one, a kill or cure remedy for a sickly business. But it is also an experiment which will be watched with the keenest interest by other manufacturers, glad that somebody has undertaken to be the guinea-pig. It may show whether the unorthodox methods which have gained a comparatively small company a 17 per cent share of the market of an increasingly popular appliance—the automatic washing machine—can be applied with equal success on a bigger scale and to a durable so stubbornly slow in selling as the refrigerator.

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Rolls' equity, in the form of 500,000 ordinary 1s. shares worth at Wednesday's price £753,000, for an issue of 936,441 Pressed Steel ordinary shares equal to about 3½ per cent of the company's equity and valued at £784,000 when the deal was announced on Wednesday. Rolls, in return for doing Prestcold's selling for them, gets extra production room at Swansea for its washing machines which will enable it to double output, and a big voice in the future products of the factory, which will include a new range under the Rolls-Prestcold label. A domestic-sized refrigerator incorporating a deep freeze for under £50 is Mr Bloom's first choice for a new product. The kudos which he has gained from converting his new ally to his own selling technique will be greater still if he has equally effective ideas about what to sell.

BANK CREDIT

Individuals Borrow More

SEPTEMBER's bank figures will be published at the end of next week; they will be scrutinised with particular care in the light of the Bank of England's assessment that the recent trend of advances has been upward—after a rarely tried seasonal adjustment. Meanwhile this week's quarterly classification from the British Bankers' Association shows that in the three months to August, a period which covers the half-yearly debiting of charges but otherwise a seasonally lean period for lending, total advances in Britain rose by £93 million (and for the first time topped the £4,000 million mark). In contrast with previous quarters, the clearing banks have now taken up the running: they accounted for all but

group took an additional £18 million. These groups accounted for more than half the total increase. Retail trade, in line with normal seasonal experience, reduced its advances, by £18 million; and advances to industry and other trades rose on balance by only £45 million, or two per cent—of

FRANCE

A Buoyant Budget

FEW surprises but plenty of uncertainties—that, in general, is the outlook for the French budget of 1963, after presentation of the draft budget by M. Giscard d'Estaing to the finance commission of the Assembly. Projected budget expenditures are up sharply—by 9.6 per cent compared with the original *loi de finances* of 1962, and by 6.5 per cent compared with the amended budget of six months later. But, taking into account an increase in prices estimated at 2 per cent, this represents an increase in real expenditures of only 7.6 per cent on the initial budget and 4.5 per cent on the amended budget. As France's national product is expected to grow by 6 per cent next year, the share of public expenditure in the total, which at present is a little over 26 per cent, should in fact fall back slightly. Total expenditure in 1963 is put at 76.8 billion new francs (£5.5 billion) of which 7.5 billion francs is for capital provisions in loans and advances.

The budget deficit is also expected to fall rather than rise. A decrease from 1.24 to 0.58 billion francs in the deficit on the ordinary budget more than offsets a rise from 5.82 to 6.37 billion in the "loan" budget. So the total deficit, or *impasse*, is put at 6.95 billion francs, against 7.05 billion in the previous *loi de finances* and 7.21 billion in the amended budget. The *impasse* has now been virtually stable for four years—it already approached 7 billion new francs in the budget of 1959—while the national product has risen by one quarter since then. Its inflationary impact has diminished correspondingly.

The reduction in the *impasse* despite the big increase in expenditure is the result of strong buoyancy in the revenue. Demobilisation of 180,000 troops together with the addition to the work force of 100,000 repatriates from North Africa will permit, it is hoped, an acceleration from 5½ to 6 per cent in the growth of national product. To this will be added some unhealthy, inflationary buoyancy, from the projected rise of 2 per cent in the price level. The upshot is expected to be a rise in revenue receipts of 10.7 per cent over the original 1962 estimate and of 7.3 per cent over the revised estimate of July last. Thanks to this buoyancy, the Government has felt able to adhere to two of the three fiscal relaxations which it promised—abolition of the 5 per cent surcharge on income tax imposed

which £27 million was accounted for by agriculture, an increase bigger than the seasonal average. Thus it still looks as if industry and trade proper, with an increase of no more than £18 million over these three months, is proving a reluctant horse to bring to the credit pool.

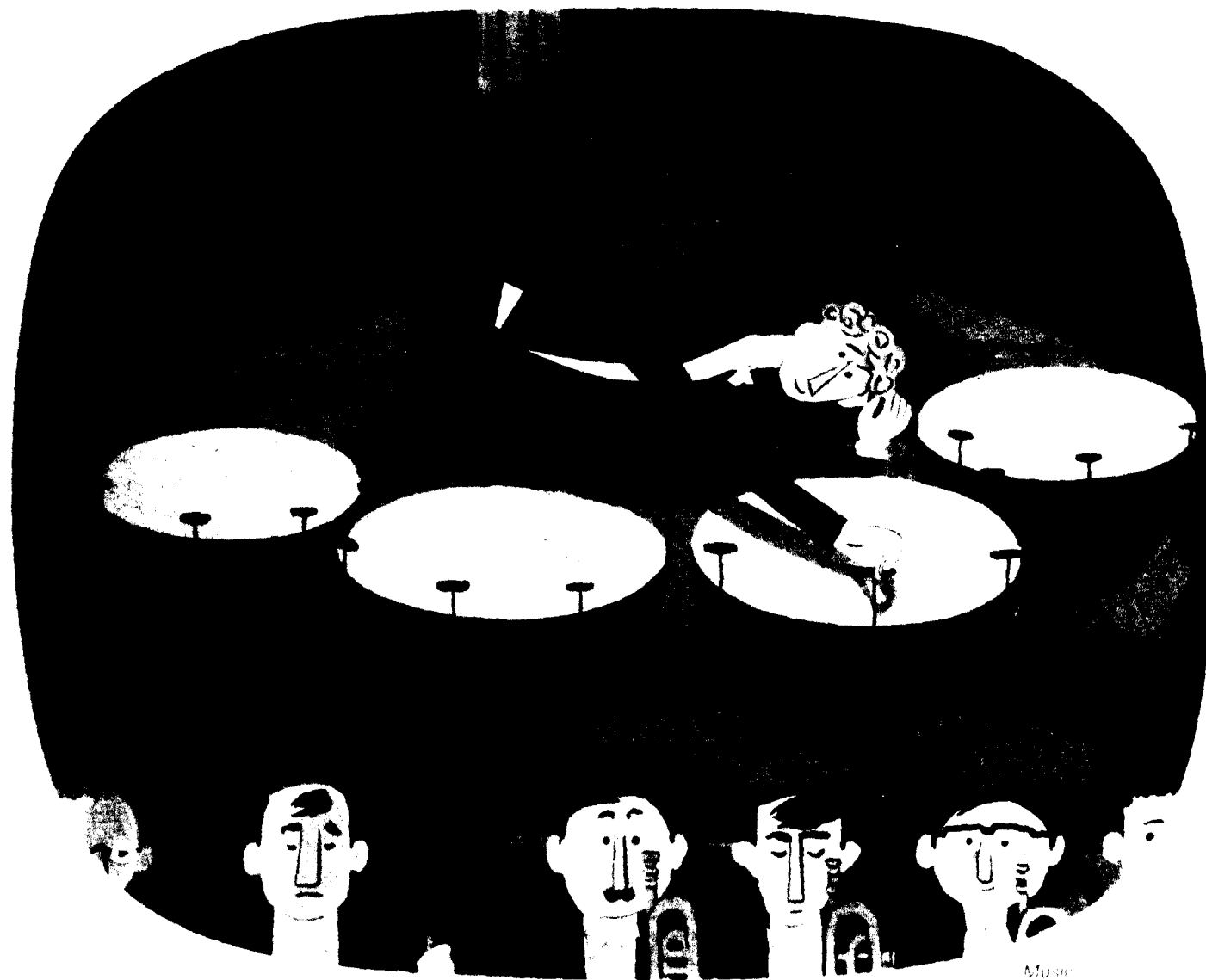
—And a Sanguine One

THIS outline budget, which will be the more exposed to criticism because the French parliament will not have the opportunity of discussing constitutional reform, has already given rise to a number of anxieties. The size of the military expenditure is astonishing. Although the ending of hostilities in Algeria brings a saving of 2 billion francs, the defence budget of 1963 is actually up by 1.25 billion francs; this spectacular swelling in "normal" military expenditure, by more than 3 billion francs or 20 per cent, corresponds essentially with the cost (2.3 billion) of the *force de frappe* of France's independent nuclear arm.

The other main increase in expenditure is on the remuneration of public employees, which entails additional provisions of 2.67 billion francs. But this will doubtless be far too little to appease the irritation of the civil servants—it represents less than 4 per cent of their total salaries—and a supplementary provision is likely to be needed in the course of the year.

Equal doubts arise about the adequacy of the provisions for repatriates—will 1.3 billion francs be enough to deal with the 600,000 who are expected? It seems unlikely. And additional provisions might be necessary in other fields—to stimulate investment, if the present rate of progression, rapid as it is, proves insufficient to achieve the 6 per cent expansion in national output; and for additional relief for agriculture if subsidies have to be raised further.

If additional funds are needed for these purposes, how will they be raised? The most likely way is by the natural addition to revenue which would follow from a rise in prices larger than that now envisaged. If this were not sufficient, it would be necessary to consider the reimposition of certain taxes. But one will only know in the middle of next year—that is to say after the parliamentary elections.



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The question of length is important, and our available periods, of thirteen minutes twelve seconds, make a certain manipulation, i.e. shortening, inevitable. Repeats are cut, together with needless echoes of a phrase of the kind which occur somewhat redundantly surely in the first 3 bars

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 Purcell.

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

BRITISH BANKERS' ASSOCIATION CHANGES IN ADVANCES (£ million)

Group	3 mths. to Aug. 1961	3 mths. to Aug. 1962	12 mths. to Aug. 1962	Total at Aug. 1962
Personal & Professional	Nil	+ 36	+ 17	722
Hire purchase	+ 12	+ 3	- 51	107
Retail trade	- 17	- 18	+ 20	388
Industry & other trades	+ 11	+ 45	+ 134	2,249
"Other financial"	+ 12	+ 18	+ 6	356
Other groups	+ 13	+ 9	- 38	183
Change in total	+ 31	+ 93	+ 88	4,005

£6 million of the rise and advances by non-clearing banks rose by only 1 per cent.

The detailed break-down shows that the groups which bore the brunt of the earlier squeeze have been quick to take advantage of the relaxation. Advances to personal and professional borrowers jumped by £36 million, to £722 million; hire purchase registered a small increase, of £3 million, following three successive quarterly reductions; and the amorphous "other financial"

FERTILISERS

On the Other Foot

So ICI and Fisons have been forced into the same bed again. After politely baring teeth at one another before the Monopolies Commission it did not seem that further co-operation was desirable or desired. But rude commercial facts have a procrustean way with them, and ICI is to build a £5 million plant at Immingham in Lancashire to supply Fisons' new nitrogen products plant there with ammonia. The ICI plant, which will pipe 150,000 tons of ammonia a year over the fence to Fisons, is to use ICI's new steam-reforming process for making synthesis gas, and will therefore be based on light naphtha feedstock. Fisons' plants will increase present phosphoric acid capacity at Immingham (90,000 tons of P_2O_5) by 50,000 tons a year, and sulphuric acid capacity (150,000 tons) by 320,000 tons. The ammonia will be used to make a whole range of nitrogen products, as yet unspecified.

This move will confirm ICI in its position as leading supplier of nitrogen in Britain. Already, with plants able to make 475,000 tons a year, it accounts for 80 per cent of nitrogen capacity in Britain. Fisons is a small producer, making 18,000 tons a year at Flixborough, and takes a further 60,000 tons a year from the Shell Chemicals

BUSINESS NOTES

ammonia plant at Shellhaven. (This accounts for nearly all of Shell's production in Britain.) That there is room for new capacity is shown by the level of imports: nearly 60,000 tons in 1960-61.

Fisons' plans to make its own ammonia went awry when world export prices for nitrogen fell under pressure from oversupply and from new, cheaper methods of making ammonia. Its project with Esso at Milford Haven had to be abandoned early this year. It then found itself in a novel position: customer for 150,000 tons a year of ammonia in an oversupplied market (a pleasant change from its unsatisfying haggles with ICI over nitrogen prices after the war). The companies say that they "independently made exhaustive surveys of ammonia manufacture and supply throughout the world." It is fair to guess that one of the conclusions ICI drew from this survey is that it does not want Fisons to import cheap ammonia into this country.

AIR SAFETY

The Stavanger Accident

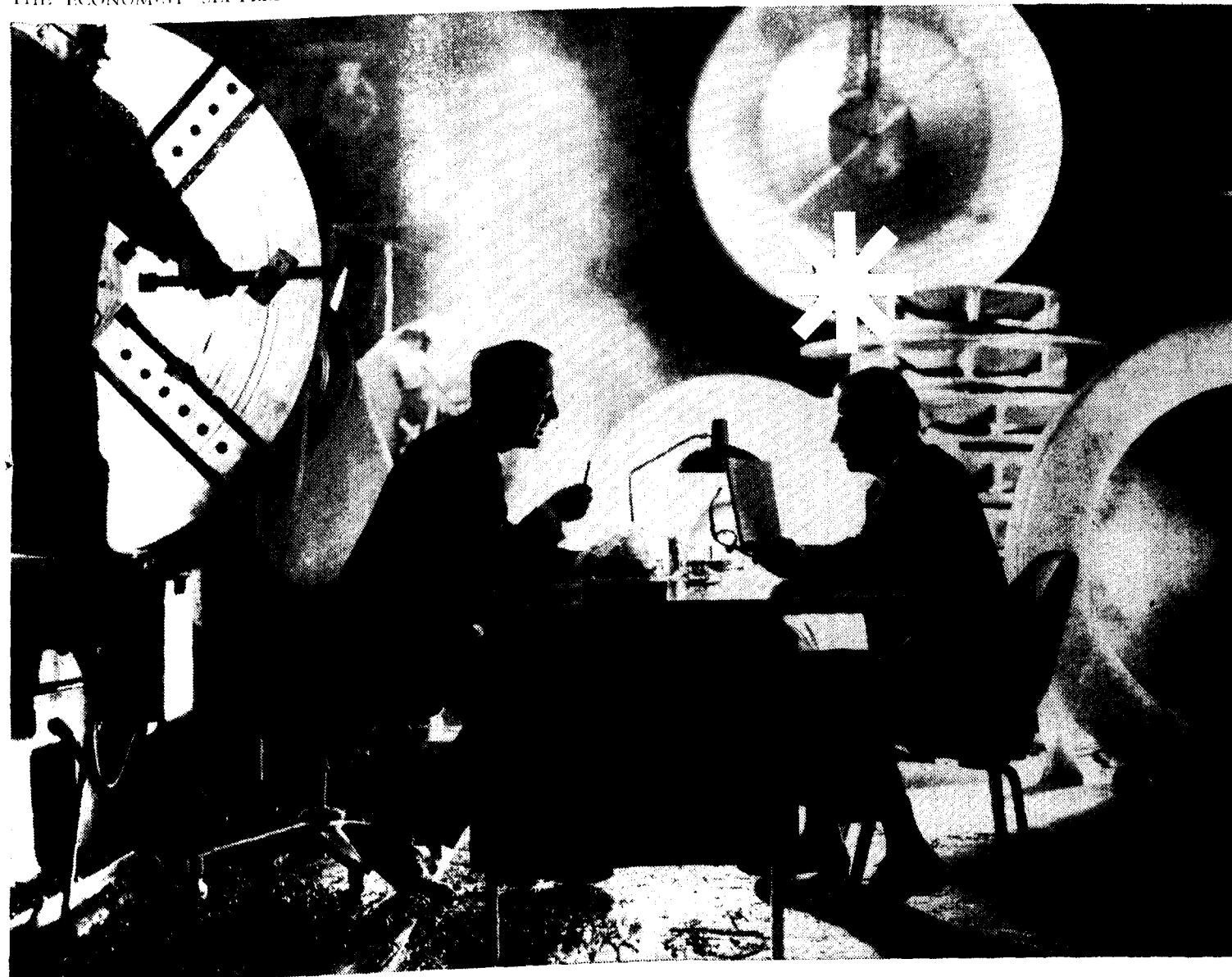
ON a rough and gusty evening in August, just over a year ago, a Viking aircraft belonging to Cunard Eagle was preparing to land a party of 34 school boys and two

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masters at Stavanger airport in Norway, using the normal bad-weather instrument landing procedure, but without asking for the full radar-controlled talk-down which was available at Stavanger—though only on demand. The aircraft flew over the airfield and turned to make its final approach. It never arrived, and the wreckage was found next day spilled across the rock face of Holteheia mountain, 18 miles away. The implications of the report of the Norwegian commission that investigated the cause of this accident are profoundly disturbing, because they suggest that a series of tiny deviations from the normal could have put the aircraft so seriously off course that 39 people died. If aviation expects to be regarded as a mass media of transport, and not one for the few prepared to take their life in their hands each time they board an aircraft, this just is not good enough. Allowance for such small deviations should and must be built into the system.

The wind at Stavanger on that evening appears to have been blowing a good deal more strongly than anyone suspected at the time, so the Viking could have drifted farther off course during its turn than the Captain anticipated. A tendency for a neighbouring Danish radio beacon to interfere with reception from the beacon on which the Viking was navigating could have affected the radio compass and preserved the crew's illusion that they were on course when in fact they were off. Other cockpit instruments tuned into the instrument

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NEW FORD

An English Essay

STARTING with the Anglia instead of a green field, Ford of Britain has come out with a very different answer to the design of a bigger small car than did Ford of America and Germany combined. Where the others have produced a novel and technically intriguing design, their British partners have been constrained by the need to make the best use of their existing tooling for the mechanical components of the Anglia (and Classic) to produce a strictly conventional car in the Cortina. But the saving in investment that this approach permits has enabled Ford to set the price of the two-door de luxe model at £666, or £16 less than the equivalent Morris 1100, even though the basic price is rather higher than that of the Taunus 12M. So Ford should at least be able to offer the British Motor Corporation some competition in this bigger-than-baby market which all the big companies, with an odd unanimity have now decided to concentrate upon. Knowledge of the advent of the Cardinal and perhaps of the Morris 1100 has produced the Cortina now—after only 2½ years development.

The one technically interesting feature of

the Cortina is its structure. By applying more careful stressing techniques than seem common in the British motor industry, though normal for aircraft designers, Ford has managed to make this conventional and roomy car weigh only 15.4 cwt, nearly one cwt less than the 12M and the Morris 1100—which is only 12 feet long where the Cortina, with its traditionally long Ford tail, concealing a 21 cubic foot luggage boot, stretches over 14 feet. As the Cortina has as much power as the 1100, one can expect that it will have an even livelier performance.

This, its price, and the feeling that a conventional car may prove cheaper to maintain than a novel one, are likely to be the Cortina's main selling points. Ford is putting heavy emphasis on dependability in its advertising, believing this is what the small car buyer most wants: and it is advertising the Cortina as a small car, if a roomier small car, rather than as a smaller medium-sized car. In effect, the Cortina is a replacement



for the Anglia, which in turn becomes a replacement for the vanished Popular; production plans for the Cortina call for as high a production rate as in the early days of the Anglia, and output has already reached 2,500 a week. So Ford will have its usual advantage of a good send-off for its new model. After that, its success in relation to the 1100 will be an interesting measure of the British public's tastes—the Mini sells for so much less than the Anglia that this makes them less obvious alternatives—and of Ford's market research. The Morris has some advantage in riding comfort and more obvious ones in the precision of its handling and refinement of running: the Cortina is much more like the Anglia in this respect than the 1100 is like the Minis. So Ford may have to rely a lot on dependability.

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PRIDE OF COGNAC

REMY MARTIN

landing system could have warned them they were wrong; but when two key instruments conflict, which one is working properly? The commission sadly concluded that had the Viking asked for a radar-controlled landing, the accident might never have happened. But when this is available only on 45 minutes' notice (as it was on that night) and then by courtesy of the Norwegian Air Force, and the weather is certainly not bad enough to preclude landing without it, what does the captain of a somewhat grizzled charter aircraft do? And in any case, how elaborate an air navigation system can a small country like Norway afford? The growth of air travel has outstripped both the ground facilities at many airports and the cockpit instruments by which the pilot flies. That one chance in a thousand crops up with disturbing regularity when airlines fly tens of millions of miles apiece a year, and the result is the present trend towards take-off and landing accidents, of which the Stavanger tragedy is unfortunately only one example.

NATIONAL PROVINCIAL-DISTRICT BANK

Generous to Whom?

FIVE of National Provincial's ordinary shares for every four ordinary shares of District Bank is more than the stock market had expected. There a one-for-one share exchange had seemed a reasonable guess and the five-for-four offer, which valued the District shares at 105s. 7½d. on the pre-offer price of 84s. 6d. on National Provincial, looked generous in the extreme. So much so, that when dealings began this week National Provincial shares were marked down to 78s. 9d. while the District shares were marked up to 96s. 3d. Since then National Provincial has recovered to 81s. 6d. and District has risen to 97s. 9d. All that the stock market had to go on was the inadequate record which the banks publish. On this reckoning dealers calcu-

lated that while District shareholders will receive about 29 per cent of the combined equity, the District bank on the basis of 1961 contributes about 22 per cent of the disclosed profit and about 23 per cent of combined deposits. No wonder then that the stock market reacted as it did.

No one, except the banks' directors and their financial advisers, can in fact say whether the offer is mean or generous, for they are the only ones who know what the true profits of each bank are. From the outside, it looks as if the District shareholders have no reason to grumble; meanwhile National Provincial shareholders, unless the real basis for calculating the offer is revealed, have simply to take their directors' actions on trust. It is ironic that so soon after a majority of the Jenkins committee had accepted the bankers' arguments against full disclosure of earnings the unhappy consequences of such secrecy should be so vividly exposed. This bid substantially strengthens the case for forcing the banks to reveal more about their profits and reserves.

AIR APPEALS

Living With The Independents

NO-ONE, least of all British European Airways, is likely to have been much surprised by the final outcome of the year-long squabble between BEA and the independent airlines about who should fly which routes in Europe. The Minister of Aviation has, with one or two exceptions of no great importance, confirmed the decision of the Air Transport Licensing Board to allow a considerable element of competition from independents on BEA's international and domestic network. This apparent rubber-stamping by Mr Amery of the Board's action sets an important precedent, and the fact that the Minister spent some weeks studying papers that were already completed and waiting signature when he took office shows that he is well aware how important it is. The net result is that the independents lose two routes granted to them by the Board (for reasons foreseen by the authors of the Civil Aviation Act of 1960) and have slight modifications made to other licences; but in general objections to the Board's decision are thrown out.

This includes at least five made by the commissioner himself, who heard the 24 appeals and advised the Minister. This is perhaps the most significant of Mr Amery's decisions. The machinery for licensing air services is a bare two years old, and going through a period where every decision is a test case to be contested every step of the way. The 1960 Act provides for an exhausting number of steps, starting with the licensing

board's own hearings and its recommendations, proceeding by way of appeal to the Minister against those decisions to special hearings of the appeal by a commissioner appointed by the Minister, who in turn reports to Mr Amery, who then, and only then, makes up his own mind. The fact that the first test case of all, Cunard Eagle's application for a North Atlantic service in competition with BOAC which was granted by the board, was turned down by the appeal commissioner and the minister together, encouraged anyone dissatisfied with the licensing board's decisions—from the airlines themselves to the British Transport commission—to use the appeals machinery a great deal more than they might otherwise have done. This reduced proceedings before the licensing board to the status of preliminary hearings in the magistrate's court and slowed down the entire machinery for granting of air licences to a snail's pace and an unbelievably costly exercise.

Largely by agreeing with the commissioner wherever he agreed with the licensing board, and disagreeing with him where he did not, Mr Amery has restored the board's authority, and expressed his willingness to take a chance on its judgment in a way that seems closer to the spirit of the Act that established it than the actions of his predecessor, Mr Thorneycroft. The Act was set up to enable competition to be introduced into British aviation, and Mr Amery recognises perhaps better than the

commissioner that it would be a pity to throw in the sponge just because fresh figures are produced to show that tough fighting machine, British European Airways, will in future have to fight a little harder.

The last word, however, rests with the independents. Now that they have their licences, can they justify the faith of those who have believed their boast, that private airlines can contribute something to British aviation? The critical question for them is whether the routes awarded, their first serious break-away from holiday traffic in Europe, give them a viable network. The initial grumbling response of Cunard Eagle was that they did not, but Cunard Eagle (or what remains of it since part was merged with BOAC) has its own problems of survival. British United Airways, quietly digesting one small airline after another and some quite big ones as well, seems well satisfied, but BUA has the financial resources to invest in expansion, which means more than buying new aircraft. It means, on occasions, willingness to invest in a country's tourist facilities; this was Mr Amery's reason for confirming the licence to Madeira granted to BUA by the licensing board, but disallowed by the appeals commissioner. Small independents barely able to keep their heads above water must be pondering this week what chance they have of surviving when evidence of this kind of investment is required of them; and, indeed, the licensing board's decisions currently being published week by week on applications for next year's holiday flights suggest an increasingly thin time for them.

BEAMISH AND CRAWFORD

Corked Beer

THEY drink about a million barrels of beer a year in the Republic of Ireland. Nine-tenths of it is the black stuff, Guinness and other stouts, and against Irish conservatism efforts to promote the sale of paler beers, the ales and lagers, have not been very successful. The bid by Canadian Breweries of 12s. 6d. per share of Beamish and Crawford, which owns about 200 tied houses in the Cork area and which has a good bottling plant and a well-knit distribution set-up, can therefore be seen as an attempt by Mr E. P. Taylor to secure a firm base for the sale of the beers of Charrington United Breweries, particularly Carling Black Label Lager. Where normal marketing methods have failed, the success of this bid could usefully supplement the headway that has already been made by these beers in Ulster.

This offer capped a mysterious offer of 7s. 6d. per share by Mostyn (London) and was in turn immediately capped by a bid of 20s. per share from that most Irish and most international of all breweries, Arthur Guinness. Mr Taylor has already let the ace peep from his sleeve in saying that the directors and major shareholders of Beamish and Crawford, who own between them 44 per cent of the ordinary capital, have agreed to accept the offer of 12s. 6d. They may find it difficult to go back on their word but other shareholders will note that Guinness is offering 7s. 6d. more. And will the Beamish and Crawford directors be failing in their duty to shareholders if they persist in recommending the lower offer, even though it promises shareholders preferential treatment when Beamish and Crawford offers, as is later intended, new shares for sale? In declaring its bid unconditional, Guinness may be recognising that it is impossible to gain control of all the shares; but it may also be hinting that a sizeable shareholding would be a useful base

BUSINESS NOTES

from which to conduct any negotiations with Mr Taylor about the future of the Irish trade.

Guinness has not intervened because of stubborn pride or sheer cussedness. When Canadian Breweries promises to establish a Carling lager plant in the Beamish and Crawford brewery, Guinness must see a direct threat to its own Harp lager venture at Dundalk. The tiny market for lager in the Republic of Ireland cannot at the moment sustain one brewery, let alone two. Does Mr Taylor therefore intend to emulate the Dundalk example and export lager from Cork? If its bid were successful, Guinness would eliminate one competitive threat and would be able to fit Beamish and Crawford's bottling and distributive facilities quite easily into its own organisation. The free trade rules in Ireland—except in Cork, where the tied houses of Beamish and Crawford and Murphy's have prevented Guinness from having a clear run for its stout and other beers. Thus the acquisition of Beamish and Crawford would really bring Guinness into Cork, where, partly to show the other brewers what an Irish pub should be, it has a big stake in a newly built public house on the outskirts. But if it is said that Canadian Breweries has been brash in taking on Guinness on its own ground, it can be argued equally forcibly that Guinness is being revolutionary in breaking with all its traditions in thinking of taking-over a chain of tied houses. This may be small beer by the standard of English brewery mergers; but it is not only Irish hearts which respond to the clatter of crown corks.

HOLLAND

Cloudy Budget Day

Amsterdam

HOLLAND'S 1963 budget was presented to Parliament on Tuesday by Dr de Pons, Minister of Economic Affairs, together with revised estimates of the economy's performance in 1962 and a provisional economic prognostication for 1963. The rise in gross domestic product at market prices this year is expected to be only 2½ per cent. Total domestic consumption is expected to rise by 3½ per cent; but net investment abroad, through the current balance of payments surplus, is expected to fall to Fl.400 million (£40 million), from 520 million guilders in 1961 and 1,200 million in 1960. The main feature of the 1963 forecast is the expectation that labour costs per head will once more show a steep rise, namely 6½ per cent against 7½ per cent in 1962 and 5.3 per cent in 1961, while output per head will increase by only 2.8 per cent, compared with 2 per cent expected this year. Pressure on domestic prices is therefore expected to continue unabated and the Dutch government is seriously worried that Holland's industrial competitiveness will be affected.

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Another cause for concern is that gross private investment in 1963 is expected to increase by 2 per cent only, partly because of much lower profit margins (for 1962 these are calculated at an average of 5.5 per cent). An accelerated contraction of private investment might set in if the government does not succeed in keeping wages reasonably under control. Net investment abroad through the surplus on current account is expected to rise to only Fl.650 million, which for the third year in succession would be less than the 2 per cent of gross domestic product (around 900 million guilders at present) which is thought necessary to meet Holland's international obligations and also to act as a stimulus to the Dutch economy.

The 1962 budget will show a total deficit of Fl.1,180 million (£117 million) or Fl.885 million more than originally estimated. The revenue has fallen by Fl.610 million (company profits tax accounts for Fl.375 million) and expenditure has risen by Fl.275 million. On this basis the borrowing requirement will be Fl.850 million, which has already been covered. The 1963 budget shows a total deficit of Fl.939 million. Total tax revenue is expected to rise by Fl.360 million or 3.8 per cent (compared with 5 per cent in 1962), notwithstanding reliefs on personal tax from July 1st this year and company tax from 1963 which will cost Fl.380 million.

The Dutch government is in full agreement that the burden of taxation is still too high, and this gives a vague hope that 1964 might bring another relief. Total expenditure will rise by Fl.389 million or 3.9 per cent while real national income is expected to rise by 4 to 4½ per cent. The government has thus avoided taking more than its share of this increase; at the same time it has to manoeuvre carefully to "keep within the narrow limits of cost inflation."

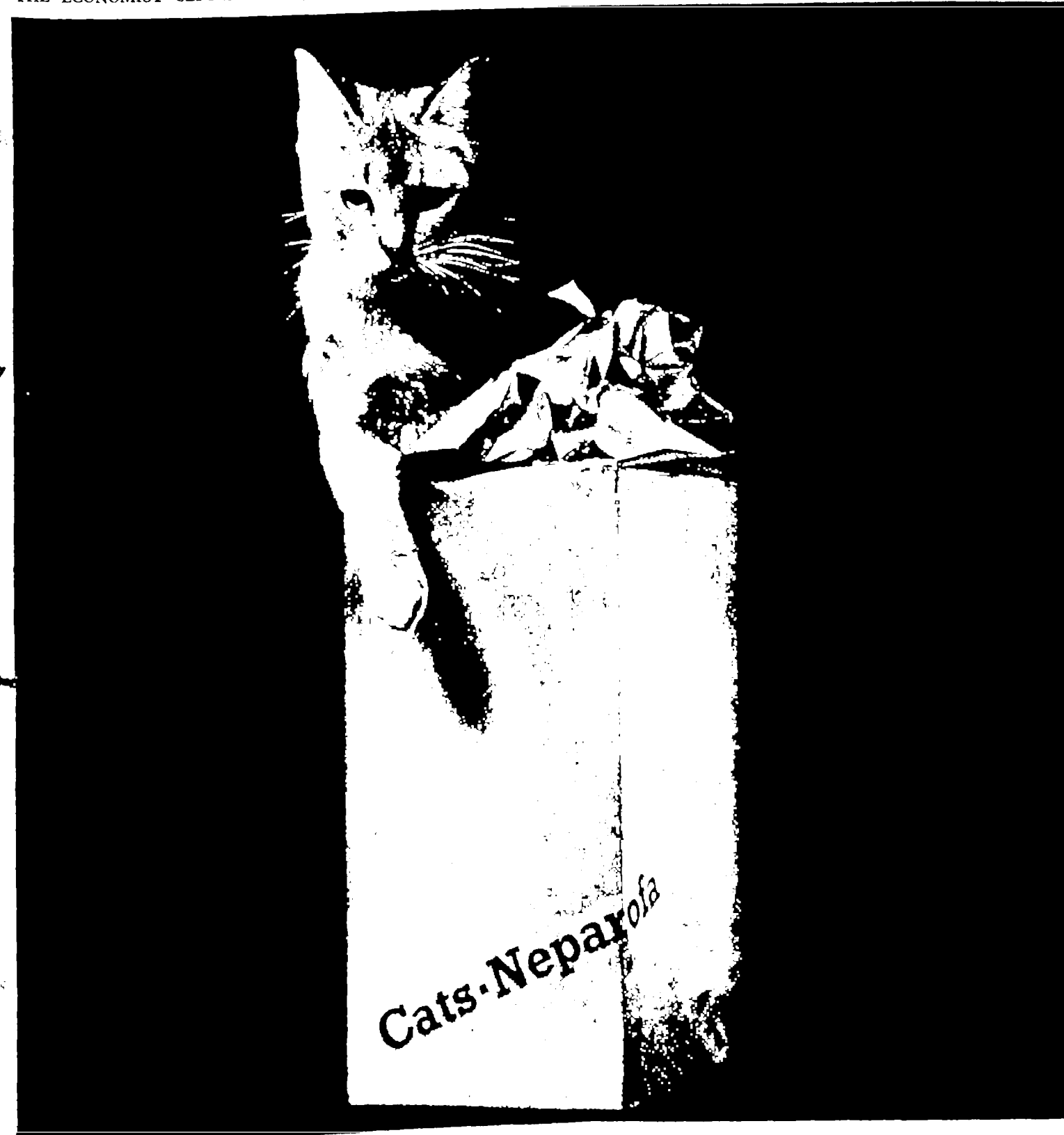
ALUMINIUM

End of an Era

ALUMINIUM likes to be seen as a thrustful up-and-coming modern industry. But despite its public image, the industry has been on the go long enough to accumulate dead wood. Some inevitable pruning occurred this week when British Aluminium announced the phased closure of its Milton works, the oldest plant of its kind in Britain. Aluminium has been rolled there for more than 65 years, but, despite its longevity, Milton in the labour-scarce Midlands is not a very important producer today. Its plant had become desperately antiquated and modernisation was out of the question. About 1,000 workers will be paid off between March and the end of 1963; compensation for redundancy, based on a minimum of £75, or £10 for every year of service for men paid by the hour, will amount to £250,000.

A sum of that size is itself an indication of how far behind the times—and behind

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production costs in the group's modern rolling mills at Resolven in Glamorgan and Falkirk, Stirlingshire—the Milton works had lagged. The labour force was obviously disproportionately large for its limited output and the whole of Milton's production can be handled at the newer plants without increasing their labour forces. Short-time working ended at these plants early in the year, but though orders have been slowly recovering, they still leave room for greater output. In the first half of the year demand for most aluminium products has been running at only a slightly higher rate than in 1961.

That year was disappointing after the peak production achieved in 1960, and further disappointment has no doubt been occasioned by the failure of price cuts of up to 16½ per cent made earlier in the year

BUSINESS NOTES

to get correspondingly impressive and quick results. The reductions inevitably affect the profitability of the outmoded works, and the industry is in no position to carry passengers. Imports of fabricated aluminium products continue to creep up despite the depressed market, though there has also been a small but welcome offsetting expansion in exports.

CARBONISATION

Offloading the Coke

EARLIER this year, a brickworks executive was set up to provide the National Coal Board's brickmaking interests with more specialised management; pursuing

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this policy of rationalisation, the Coal Board announced this week that it is setting up a Coal Products Division. The new division will take over the board's coke ovens and sell their products—coke, gas and many by-products. It will also take over the management of the briquetting and manufactured fuel plants although their products, and coke for domestic and industrial (as opposed to steel and ironmaking) uses, will be sold, as now, through the regional marketing organisation. This cannot be called an expanding section of the industry: production of coke by the Coal Board has fallen by 25 per cent since 1958, and between 1955 and 1961 a profit of more than nine shillings a ton of coke was turned into a loss of nearly sixteen shillings. The steel industry has to answer for much of this

Lorries Weighed Down

COMMERCIAL vehicle makers have found 1962 their first year of contraction since 1957; with home and export demand both falling, production has dropped by 20 per cent. This change of fortune is not regarded too tragically by the industry; pessimism, after all, is no part of a show. There are already some signs that exports will recover, and the fall in sales at home is regarded as the inevitable corollary of the speed with which hauliers have been replacing their fleets since purchase tax on commercial vehicles was abolished three years ago, and of the check to the expansion of road transport this year. After the show, they hope, things may be a little better; but exports are the better growth prospect now.

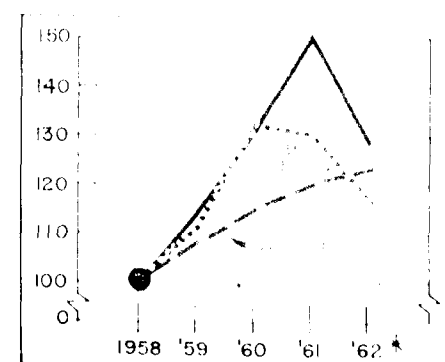
If Britain enters the common market, the fact that the British commercial vehicle industry is the biggest in Europe should put it in a much happier position than the car manufacturers: especially in the small and medium-sized lorries in which it specialises, it can undercut the Europeans comfortably.

The lighter the commercial vehicle, the more important its home demand. This year vans and lorries have suffered equally—the only exception is the commercial vehicle sold for use as a car, which hardly counts. The big car makers have thus lost one cushion from the declining margins on their cars, for they make complete ranges of commercial vehicles—lacking

only in some cases the heaviest and most powerful types. The specialist commercial vehicle makers are still the biggest makers of these giants; Leyland leads with 31 per cent of home sales of lorries over four tons total weight.

The lorries of these specialist makers are more expensive than those of the car companies, but they are also claimed to last longer and have lower maintenance costs. A firm like Bedford, which made 70,000 lorries last year, can employ virtually mass-production techniques and so get its lower selling prices, while a firm like Leyland is building by hand in the best traditions of the now vanished quality car makers and only produces about 15,000 a year. Bedford's new heavy-duty trucks combine both worlds by using Leyland engines.

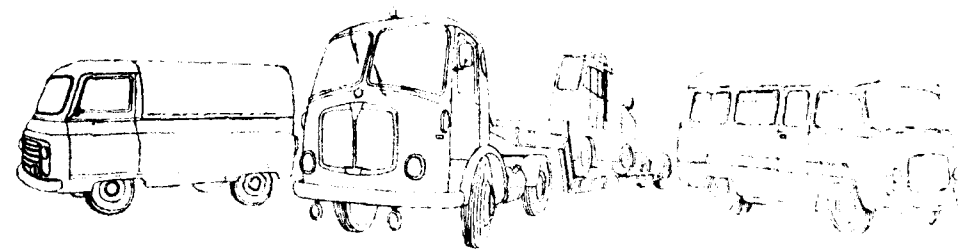
All the drop of 17 per cent in exports in the first seven months of this year came from lower shipments of parts for assembly abroad; these account for more than a third of the value of commercial vehicle exports. Part of this fall is explained by political uncertainties in Africa, which have discouraged the locals from investing, even in lorries, and so encouraged the assemblers to run down their stocks: Leyland found orders virtually ceased in the first half of the year, but they have started to flow again now that stocks are getting near the minimum. The Argentine and India were other



markets where sales fell, this time because foreign currency was running out; Rover's practice of selling Land-Rovers for coffee does not seem to have been very widely followed. Even the European market showed hesitations, and exports to some countries fell.

Home sales have been affected by two factors: the cycle of replacement buying and the state of the road transport industry. Both are depressing sales; having bought heavily in the past two years, most hauliers can afford to hold off buying for a while—which the slow growth in traffic and keener competition on rates this year encourages them to do. Though they are continuing to take a bigger proportion of total goods traffic, while the railways take less, the total has shrunk. So an increase in demand for lorries is closely geared to an increase in industrial activity. And if the railways prove able to refuse all the merchandise on which they now lose so much money, presumably road transport will carry it instead.

If the railways do manage, however, to make those services that they retain more attractive to industry, they may then take traffic from the roads. The uncertainties that these predicted activities by the railways produce among C licence holders and the hauliers, who would be hit hardest by any changes in traffic patterns, are again factors tending to postpone buying.



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drop: sales of hard coke for use in blast furnaces fell by more than a half in the five years to 1961. The effects of the recession in steel, and of development of the industry's own oven capacity in integrated steelworks, have been aggravated by the development of techniques which permit the ratio of coke to hot metal in blast furnaces to be reduced. Other markets for coke have been under pressure from oil; only the sale of some grades as smokeless fuel shows signs of increasing. At the same time, contracts for the supply of gas have compelled the Coal Board to seek ways of eking out the supply without increasing the surplus of coke.

The other products of coking find a ready market but not always at economic prices. Coke-oven gas has traditionally been one of the cheapest sources of gas available to the gas industry, and it provides 17 per cent of the gas supplied. Chemicals from coal are now in a less happy position as the bulk of them, hydrocarbon oils, face the removal in two years of what is effectively a subsidy.

Thus, the new chairman, Mr A. W. John, Finance Member of the National Coal Board, will find himself (small change) in an industry in which the main preoccupation is defence. Any suggestion that the division might set up a chemicals giant on the lines of the Dutch State Mines has been denied. No plans for the future have been announced, but the main concern will be to bring coke production in line with demand. This could be an easier job than it would have seemed last year: the demand for coke so far this year has enabled the board to take "substantial" quantities from stock for the first time in several years.

TIN

Trial by Tender

TWO tenders for 200 tons of American stockpile tin have now been held; no tin has been sold, nor have tin markets derived much comfort from the further postponement of the formerly dreaded releases. The first weekly tenders have been a tantalising cat-and-mouse affair with buyers so injured to the notion that any sales of surplus government stock should be made at bargain prices that all bids placed were well below prevailing market prices. The stockpile authorities have two good reasons for not pandering to this popular misconception; they are honour bound not to undermine the market to the detriment of tin producers, and as diligent servants of the public they wish to obtain fair prices for their tin. However, contrary to what has become widely supposed, it does not seem likely that they pay any attention to the average cost to the stockpile of the metal they offer.

On the other hand they have been directed to sell stockpile tin subject to certain conditions and, so far, they have made no progress. The foxy tactical battle

BUSINESS NOTES

between the stockpile authorities and bidders therefore seems likely to continue for some weeks. The highest bid received this week was ¼ cent a lb above the highest offer received at the first tender. But it was still significantly below the triangular average of the Malayan, London and New York market prices adjusted for transport and other costs, which the stockpile authorities use as their yardstick for judging bids. At the first tender, United States Steel put in the lowest bid, about 2½ cents a lb below the New York market price, but surprisingly in view of the total rejection of all bids on that occasion, an even lower bid was submitted this week.

American buyers are evidently in no hurry to acquire stockpile tin, and the United States is too remote to attract bids from outsiders while the prevailing pattern of prices persists. If bids must be close to the triangular average of world market prices to succeed, the tin stockpile will function like any other tap stock. Sales will obviously be made more easily on a rising market, and that rise will not occur until the shortfall in newly-mined tin production is reflected in the physical demand for tin. The latest rejection of all bids for stockpile tin failed to impress the London market. Spot tin declined to £852 a ton, only £2 above the International Tin Council's upper support level.

WOOL

Through the Dip

THE new wool selling season opened in Australia a month ago with a drop of some 7½ per cent in prices below last season's closing level. But wool is nothing if not resilient, and a steady strengthening in prices this month following the initial fall appears to have done more for morale outside wool growing territory than the maintenance of prices at last season's closing level might have done. In Bradford, the market for wool tops, the intermediate stage in the manufacture of worsteds between the raw wool and the spun yarn, has suddenly come alive again after an unseasonal hibernation. Orders, including some repeat business for China which has survived an awkward wrangle over contract conditions, have been substantial, and confidence appears to have replaced caution in many breasts.

Unlike many other commodities, wool seems to have manoeuvred itself into a comfortable rut with production ambling along within the bounds set by the growth of consumption. Australia expects a record output of wool this season, but it will nevertheless be only a fraction of one per cent higher than last season's. Despite the dry summer in some states, the Australian clip is also expected to be of roughly similar quality. The rate of wool consumption in ten leading wool using countries improved by the odd per cent between the first and second quarters of the year, and wool stocks

in the five countries for which figures are available fell to 331 million lb at the end of June, compared with 366 million lb a year earlier. Britain, where production in most sections of the wool textile industry has been lagging behind last year's level, was responsible for the greater part of the fall in stocks.

Japan took a third of the wool exported by Australia last season. The rare reticence of Japanese buyers at early auctions this season appears to have been a major factor in the sharp initial fall in prices as Japan has established itself as the market leader. But at recent sales there has been no lack of competition from Japan. It therefore seems unlikely that the dip in wool price which occurred last autumn will be repeated this year. But despite their wistful slogan, "Wool Wins," wool enthusiasts are not having things all their own way; following big reductions last month in some types of Courtelle used in the cotton industry, cuts ranging up to 12½ per cent have been announced by Courtaulds for types of Courtelle sold to the wool industry.

SHORTER NOTES

The latest count of unemployment, taken on September 10th, showed no turn in the underlying upward trend for Great Britain as a whole, although the increase since August 13th of 14,600 in the numbers wholly unemployed was only 1,600 more than would be expected seasonally. But in London and the eastern and southern parts of England, the unemployment situation seems to have improved; in the north, Scotland and Wales it continued to deteriorate. Regional unemployment rates ranged from 1.2 per cent in London and the south-east to 3.8 per cent in both the north and Scotland.

"Shell" Transport and Trading has raised its tax-free interim dividend from sixpence to sevenpence. For 1961 the total payment was 1s. 3d.

Shell's announcement of ten-year repayment terms for the installation of oil-fired central-heating took the shine off the National Coal Board's advertising campaign, and those of other suppliers, which offer 5-year terms for solid fuel installations; the NCB, however, reports a very good response to their advertisements so far.

COMPANY AFFAIRS

Comments on pages 1150 and 1151 on:
Rank Organisation Great Universal Stores
Calico Printers City Centre Properties
Keyser Ullmann Fairay

STOCK PRICES AND YIELDS

Stock prices, yields and security indices on pages 1152 and 1153

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 1154

ASSOCIATED-REDIFFUSION

MR JOHN SPENCER WILLS' REVIEW

JUDGEMENT ON PILKINGTON

The seventh Annual General Meeting of Associated-Rediffusion Limited was held on Tuesday, September 18th, in London, Mr John Spencer Wills, the Chairman, presiding.

Moving the adoption of the Report and Accounts for the year ended April 30, 1962, the Chairman said:

"The event of the year has been the publication of the long awaited Report of the Committee on Broadcasting, 1960, commonly known as the Pilkington Committee. I must confess that I have been both surprised and hurt by their condemnation of independent television. I had confidently expected that the Committee would find that we have served the nation well, that we have been largely instrumental in increasing the number of homes receiving television in the United Kingdom from 4½ millions in August, 1955, to over 12 millions in August, 1962, that competition has improved the BBC television service, that manufacturers and suppliers have been furnished with most valuable advertising facilities and that considerable monetary benefit has accrued to the State, as well as to hundreds of thousands of shareholders and thousands of artistes, scriptwriters and technicians.

Up to the present I have resisted a strong inclination to express publicly my personal opinion of the main part of the Pilkington Report and I continue to believe that it would be more useful to you, as shareholders, to know what has been said by those whose opinions cannot be said to be swayed by self-interest. You will have read many such Editorial opinions in the Press, particularly in "The Daily Telegraph," "The Economist" and the "Spectator." They are too long for me to quote but if you want to be able to refer to them they are dated June 28th, June 30th, and July 6, 1962. I particularly recommend you to read a paper published by the Institute of Economic Affairs (Hobart Paper 15) entitled "TV: From Monopoly to Competition—and Back?" In case you cannot get around to it, I would like to read you some extracts from their "Judgement on Pilkington"—

"How did the Committee come to make such an unproductive report? Sir Harry Pilkington chose to emphasise that he and his colleagues approached the subject with no dogma but simply based their conclusions on 'the facts.' How can one approach a problem that raises fundamental issues without some guiding principle, some idea of how one believes society should be organised? And whatever the Committee members may have thought they thought when they started, they ended up embracing a dogma."

"The Report has been widely regarded as being not so much a state paper which surveyed the evidence impartially and reached its conclusions in the light of them, as an impassioned statement of what broadcasting ought to be as considered by men striving after culture and high moral standards."

"One reason why the Committee departed from the democratic tradition was its belief that broadcasting, as a powerful means of influencing opinion, should not be left to the profit motive. . . . It is a species of Marxism at its most naïve to suppose that policy which profits commercial interests must necessarily conflict with public welfare. Whether private interests benefit or lose does not matter provided policy can be shown on its own merits to serve the public. It was because the Pilkington Committee either could not see this relationship between ideas and interests, or because some of its members began with a suspicion that private profit is incompatible with intellectual progress, that much of its analysis proved irrelevant, unenlightening and abortive."

"Before commercial television the BBC took a safe middle course. It was respectable, moral, wholesome, pompous, over-weening, uninspired and uninspiring. Commercial television fell to lower depths but rose to higher peaks. In its absence the BBC would have avoided its faults but probably failed to reproduce its achievements. Commercial television can be brash, vulgar (Latin vulgus: the common people), boisterous, venturesome, experimental, exciting. Its faults are remediable; but its achievements are unattainable without its freedom, independence and perhaps even irresponsibility."

"The human propensity to boredom gives programme companies the incentive to aim higher than the current level of popular entertainment and provide something rather more to the taste of the Pilkington Committee than the bulk of present programmes."

"Many have accepted the Pilkington view that the ITA should be strengthened as censor, but others in television have pointed to the danger that even the present control of the ITA makes the programme contractors play safe instead of experimenting."

'BBC versus ITA'

The Pilkington Committee had no difficulty in choosing the virtuous one of this pair; but, as we have seen, the evidence on which its judgment rested was so unreliable and biased that it cannot be given serious consideration. The passive attitude the Committee adopted towards the collection of evidence, and the persuasive skill of the supporters of the BBC, meant that the Committee tended to hear only one side of the story."

"The Pilkington recommendation for strengthening the powers of the ITA commend themselves to the political and moral critics of commercialism, but what the ITA needs to do is rather to encourage its contractors to take risks and to rap the knuckles of those who play safe. Some of this can be achieved without changing the legal position of the ITA, which prides itself

on the permissive nature of its control; but the anti-ITA tone of the Report may unfortunately make it more cautious. If it was prepared to take risks and ignore this displeasure, the ITA has a valuable weapon of persuasion on its side when the contracts run out in 1964. But there is some need to revise the Act: apart from removing the requirement that the contractors present a proper balance of points of view on all controversial issues, it is rather sweeping to lay down that programmes must not be offensive to public feeling nor contain offensive references to living people."

A subsidiary aspect of independent television which has been criticised is the system of networking. The dominance of the four major programme companies, of which your company is one, has been specially mentioned. The system has, in my opinion, helped greatly in the rapid and successful development of independent television throughout the country; the smaller regional companies certainly could not have been brought into existence without it and it is in the national interest that networking arrangements of some kind or other should continue. We are, however, examining the problem with a view to finding suitable alternative methods. The Pilkington Committee accepted that networking was inevitable so that what is involved here is method rather than principle.

Government White Paper

I do not believe you need to be pessimistic about the future of your business. Never forget that in the early days we successfully faced a greater crisis. At one time we had lost £3,250,000 of your money and, if, as then seemed quite likely, we had in consequence been driven into liquidation, we should, on disposal of our tangible assets, have lost well over another £1,000,000. It is for the Government to decide what is to be done about independent television and it will take into account lengthy debates which have already taken place in both Houses of Parliament and will have available to it facts and figures which were not considered by the Pilkington Committee. The Government has already published its views on certain of the matters dealt with in the Report in its White Paper issued in July, and it is clear that it does not take the same view of independent television as that taken by the Pilkington Committee. The White Paper refers to independent television as 'a novel partnership between public and private enterprise, producing between them lively and certainly popular television.' It goes on to say:—

"In many ways the system has been very successful. The evidence suggests that more people watch its programmes than those of the BBC. In some fields—for example, light theatre, news and religious broadcasting—it has undeniably contributed something of value to television and by bringing competition into the world of television exercised an enlivening effect on television in general."

On the Committee's proposals as to the future structure of independent television, the Government feels that the practical difficulties presented

THE ECONOMIST SEPTEMBER 22, 1962

by the proposals have not been fully appreciated. The White Paper says—

"So fundamental a change in the structure of independent television requires the most thorough examination, and the Government wishes to be satisfied that any new structure would remedy the defects it was designed to overcome and would not throw up equally serious difficulties of its own or deprive the system of those features for which it can fairly claim credit."

The Government's decisions on these matters will be announced in a further White Paper which is expected to be issued in the autumn.

Support of Music and Drama

Leaving aside these controversies, I will return to more domestic matters.

We have long deemed it our privilege to entertain, instruct and inform the public of Greater London off the television screen as well as on it. Since 1958, we have been subsidising serious music in London by the Hallé Orchestra and The London Symphony Orchestra, through their concerts at the Royal Festival Hall. This is not only because the number of patrons is a small minority relative to the number of viewers but also because, in our opinion, the technical limitations of the medium make it impossible to do justice to serious music on the screen. We have given large monetary grants to repertory theatres and the dramatic and musical training schools. One very interesting recent event supported by us was the Festival of the City of London held in July. Apart from giving direct financial support, we televised many of the Festival events for the benefit of the public who could not attend the events themselves. We also undertook, on a non-profit making basis, the production and publication of the official Festival programme book which was very well received and proved to be a best-seller. We are also interested in the West End theatre; in addition to running St. Martin's Theatre—through our subsidiary Associated-Rediffusion Theatrical Productions Limited—we participate financially in various West End theatre productions from time to time. In one way or another, therefore, we give considerable support to drama and the acting profession outside our main television activity.

Programmes

As to our television programmes, I want first to say how delighted and honoured we were that H.R.H. Prince Philip, Duke of Edinburgh, should have consented to appear in "This Week" on April 19th to report on his South American tour. The programme was seen in some five million homes throughout the country and in another three-quarters of a million homes when it was repeated the day following. Our programme "Laudes Evangelii" which I told you about last year was sold to the Columbia Broadcasting System of America and transmitted from coast to coast across the American continent on April 8th. In view of my special reference to it last year, I am sure you will be interested to hear some of the comments in the American press. Here are a few of them—

From the New York Times:

"Leonide Massine's "Laudes Evangelii" surely will stand as one of television's lasting accomplishments, a work of breathtaking reverence and beauty that has enriched the home screen as much as any single program in recent years. The choreographer's stunning miracle play . . . a further demonstration of the rewards of international TV exchanges."

COMPANY MEETING REPORTS

From the New York World Telegram:

"With so much excellent British television available, it has always seemed a bit shortsighted of American networks to close the door on program salesmen from overseas."

"Yesterday slight amends were made. C.B.S. showed a magnificent pageant of dance, song and mime—"Laudes Evangelii." The entire concept was brilliant—and the singing glorious."

From the United Press International, Hollywood:

"One of the most beautiful programs in memory . . . deserves to be an annual offering."

From the New York Herald Tribune:

"A magnificent harbinger of the many productions on religious themes that this season of the year will be bringing to our television screen. Some may be as good as this one, but I hardly see how any could be better."

We have now transmitted six Intertel programmes; these, as you may remember, are documentary programmes on current world problems produced by the members of the International Television Federation, a partnership between Associated-Rediffusion Limited, The Australian Broadcasting Commission, The Canadian Broadcasting Corporation, The National Educational Television and Radio Centre of New York and the Westinghouse Broadcasting Company Inc., of USA. The success of these programmes is indicated by the fact that, on average, they secured 73 per cent of the multi-channel television audience viewing at the time.

Although I have made individual mention of only a few programmes—this because of their special nature—I hope you will not think that we take any less pride in our programmes as a whole. To deal with them in detail would take much too long and I will therefore content myself by saying that we have continued to entertain, instruct and inform our public with a wide variety of programmes covering drama, light entertainment, current affairs, religion, politics, education, sport and matters of general interest. In every field we can reasonably claim to have been very successful; the extent to which our programmes have regularly appeared in the national "Top Twenty" is only one indication. It is, indeed, a fact that very many of the most popular programmes seen throughout the country are Associated-Rediffusion programmes.

You will have realised from what I have reported to you over the years, and from what you have seen, that Associated-Rediffusion is not hidebound in its programme policy. We do not regard the business of providing a television service merely as one which should operate on a formula based on past popular successes. We have always considered it our duty and privilege to explore new possibilities of using the medium. In the coming months our viewers throughout the country will continue to be provided with interesting programmes of a kind never previously seen either here or, indeed, in any other part of the world.

We shall be bringing from Athens the complete cast of the Greek Tragedy Theatre for a special television production of Sophocles' "Electra." This play, performed in modern Greek, has been seen by enthusiastic but very small audiences in many cities in Europe and the United States, but has never been presented on television. We believe that it will provide

a new experience of enjoyment and artistic appreciation to millions who would otherwise have no chance of seeing it. For much the same reason we have, in conjunction with the Westinghouse Broadcasting Company of the United States, secured the television rights of "Black Nativity." The cast is composed of American Gospel singers whose recent performances at the Festival of Two Worlds in Spoleto and on the West End stage have been very highly praised. Associated-Rediffusion and its American partners in the venture brought the cast to London for the purpose of recording the television programme which will be shown at Christmas time.

We are also engaged in another experiment in the field of drama. We acquired the rights for this country of "When The Kissing Had To Stop," the controversial political novel written by Constantine Fitzgibbon. The television adaptation will be broadcast during October in two main parts as a 2½ hour programme and it will be interesting to see whether this lengthened form of dramatic presentation meets with the approval of our public.

Wembley Stadium Limited

Our subsidiary companies have again made a substantial contribution to the Group profit. There have been noteworthy developments in Wembley Stadium Limited. The new bowling centre, with restaurant and other facilities, is nearing completion and is expected to be in operation in a couple of months or so. Work is also proceeding on the provision of a new roof for the Stadium itself, and of improved press, broadcasting and other facilities. A new long-term agreement has been entered into with the Football Association which will ensure that Wembley will be the venue of most of the major football events in the country.

Advertisement Revenue and Operating Costs

Notwithstanding the special television advertisement duty imposed at the rate of 10 per cent as from May 1, 1961, and increased to the rate of 11 per cent as from July 26, 1961, our television advertisement revenue for the year again showed a gratifying increase. The benefit of the increase was, however, offset by the substantial increase in our operating costs which I forecast last year.

There is likely to be another large increase in our operating costs this year; it will result mainly from the much greater fees payable to artistes under new agreements with the unions concerned and increases in our own staff costs.

Settlement of Dispute with Equity

The dispute with British Actors' Equity to which I referred last year resulted in refusal by all members of Equity (except those having existing contractual obligations) to accept engagements in independent television programmes as from November 1, 1961. The dispute was prolonged but, after some concessions by both sides, agreement in principle was eventually reached, so that Equity members accepted engagements again as from the beginning of April, 1962. A dispute on similar lines arose between the programme companies and the Variety Artists Federation but this was resolved with greater speed.

Legal Proceedings

In December, 1960, judgment was given against the Company in an action for breach of contract brought by Wick Films Incorporated, an American organisation with which we had entered into a substantial programme production

contract in 1956. That judgment received a good deal of publicity which was naturally unwelcome from the Company's point of view and I am therefore glad to be able to tell you that the judgment has since been reversed by the Court of Appeal. For a company with worldwide connections such as ours, a reputation for strictly honouring all obligations is especially important and we are gratified that this temporary smudge on our reputation has been erased.

Thanks to Management and Staff

Finally, I want once more to say a special

THE MOUNTAIN COPPER COMPANY

MR R. ELLERTON BINNS' STATEMENT

The sixtieth annual general meeting of The Mountain Copper Company, Limited was held on September 19th in London. **Mr R. Ellerton Binns, BSc, MIMM** (the Chairman), presiding.

In the course of his circulated statement, the Chairman said that while the Accounts clearly demonstrated the satisfactory recovery in profits that had been experienced in the year under review, the general trading outlook of the Group was fraught with many uncertainties and in fact had suddenly taken a definite turn for the worse as far as sales of Pyrites were concerned, as a result of the early termination of Pyrites purchases by the Company's two principal customers.

The Chairman continued: In the light of these difficult circumstances your Directors, having closely studied the position, were forced to adopt a prudent course so as to conserve the Company's cash resources and thus reluctantly decided to defer consideration of a dividend for the time being.

He added: With the sudden loss of by far the major portion of our pyrites market, we are faced with closing down the Shasta mine and placing it on a care and maintenance basis.

The results from the year's trading at Martinez showed a considerable improvement due largely to an improvement in sales of practically all our products.

Your Company maintains its holding of 50 per cent of the shares of San Francisco Chemical Company. The year under review was one of continued progress, with production and profits showing a satisfactory expansion.

Towards the close of the year under review and subsequently in the current year we were approached on several occasions by our partner, the Stauffer Chemical Company, who sought to form a fully integrated company for the manufacture of a wide range of fertilizers. We felt we would not be justified in joining such a combine in which we would be a small minority shareholder.

The Stauffer Chemical Company have so far not seen their way to agree to either of our counter proposals, but we are still hopeful that a satisfactory solution can be found. Meanwhile the San Francisco Chemical Company continues to improve and strengthen its position and we can, I feel sure, regard the future of this progressive company with confidence.

Concluding his review of the position, Mr Binns said that the immediate prospects of the Group were by no means bright, but those of

COMPANY MEETING REPORTS

word of thanks on your behalf to our Management and staff. They, equally with your Directors, are entitled to feel aggrieved that the result of their labours should have been so harshly judged by the Pilkington Committee; they too, however, have been cheered by the views of the Government expressed in the White Paper. I personally remain optimistic; I think we can legitimately take pride in our achievements and believe that whatever changes Parliament decides to make, Associated-Rediffusion will continue to play its leading part in the nation's independent television service." The Report and Accounts were unanimously adopted.

San Francisco Chemical Company remained distinctly promising, despite the uncertainty of a solution of the problem posed by the promotion of the integrated fertilizer company by Stauffer Chemical Company. However, pending a clarification of the position it would seem unlikely that they would receive any substantial dividends from that source.

He continued: I would point out that with operations at Shasta closed down and placed on a "care and maintenance" basis, although at Martinez we may look forward to continuing and even increased sales of our various products, it would hardly be wise to expect such sales in themselves to do much more than cover the operating costs as well as the total overheads. Thus in the shadow of these uncertainties and in the absence of some unforeseen improvement in the sulphur position to permit continued operations at Shasta, the payment of any dividend next year would appear to be problematical.

The report was adopted.

WEST CUMBERLAND SILK MILLS LIMITED

The twenty-third annual general meeting of West Cumberland Silk Mills Limited was held on September 13th in London. **The Right Honourable Lord Wilmot of Selmeiston, PC, JP** (the Chairman), presiding.

The following is an extract from his circulated statement:

I am very happy to record that despite continuing difficult trading conditions the demand for the Company's fabrics of all kinds continues to be active and the decision to diversify its activities by entering the field of interior decorating fabrics has been fully justified. Immediately upon their introduction they were an outstanding success.

Your Company is now undoubtedly regarded as a leader in this as in other branches of textile design and production.

As a result of this success and the continued esteem in which the market holds our dress fabrics, and also to the improving results of one of our Subsidiary Companies despite the difficult trading conditions generally, our profits are a little better than last year.

In order still further to diversify and increase our production, your Board has decided to purchase further looms which will enable the Company to include in its range new fabrics not at present manufactured. We expect to be able to find the necessary finance without having to call upon the Company's Shareholders.

Your Company is now better equipped than ever before to take advantage of wide opportunities by which we expect to profit, and I am confident that the Company has a bright future.

The report and accounts were adopted.

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LOUIS NEWMARK LTD.

PROFIT FORECAST EXCEEDED

The annual general meeting of Louis Newmark Ltd. was held on September 13th in London. **Mr Herbert H. Newmark** (Chairman) presiding.

The following is his statement circulated with the report and accounts for the year ended March 31, 1962:

This is my first report to you since Louis Newmark Ltd. became a Public Company with its Preference and Ordinary Shares quoted on the London Stock Exchange.

The Capital Structure was changed by the Resolutions passed at the Extra-Ordinary General Meeting held on November 27, 1961, so that we now have an Authorised Share Capital of £1,000,000 of which £625,000 has been issued and fully paid up.

The Group Net Profit before taxation for the year ended March 31, 1962, amounted to £162,177 against the Board's forecast of not less than £150,000. This compares with a Group Profit for the previous year of £92,942 but I reported in my Statement accompanying the Accounts for the year to March 31, 1961, that the profits for that year had fallen because of the effects of discontinuing watch manufacture and that the trend would be reversed for the year to March 31, 1962.

CURRENT YEAR'S PROSPECTS

You would expect me to comment on the prospects for the present year and having regard to present trends and subject to reasonable trading conditions existing for the remainder of the year. I would expect our profits for the year to March 31, 1963, to be maintained at a level comparable with that for the year now ended.

Your Board have devoted considerable time and thought as to the future effects on the Group of the United Kingdom's possible entry into the Common Market. Switzerland being already a member of the EFTA we expect little effect on our watch trading. As far as instruments are concerned we consider that joining the Common Market should be to our ultimate advantage.

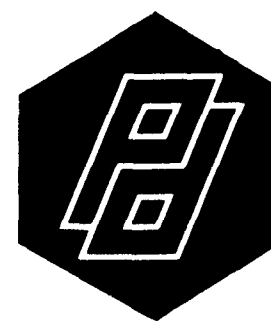
Turning now to the Accounts, you will see that after paying the dividend on the Preference Share Capital and a first ever dividend on the Ordinary Share Capital at 8 per cent less tax we have ploughed back £30,000 to General Reserve and increased the Group carry forward by £5,805.

CAPITAL RESERVE

I would refer to the Group Capital Reserve which at March 31, 1961, stood at £49,824. We consider it appropriate that the non-recurring costs of the Stock Exchange Quotation, Debenture Redemption and also of the Increasing of Capital should be charged against this Reserve. The surplus of £11,739 on disposal of our New Addington Factory on a lease-back arrangement has been applied in writing off part of the costs of equipping our leased properties.

I can report that the rehousing of our activities following the move from Purley Way is completed. We are now satisfactorily housed, well-equipped with technical staff and are continuing to explore new fields of future activity.

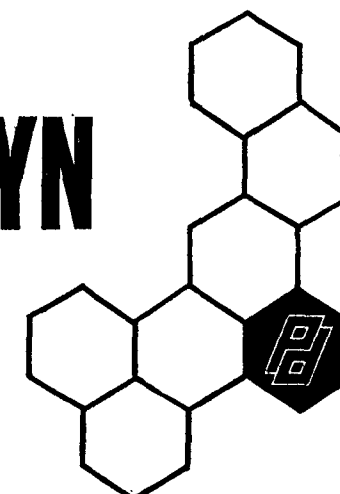
The report and accounts were adopted.



POWELL DUFFRYN

A creditable trading achievement

FEATURES FROM THE ANNUAL STATEMENT OF THE
CHAIRMAN, SIR HENRY WILSON SMITH K.C.B., K.B.E.



The Annual General Meeting of Powell Duffryn Limited was held on September 19th in London. The following are features from the statement of the Chairman, Sir Henry Wilson Smith, KCB, KBE:

Trading Profits: Given general business conditions it seems to me to be a creditable achievement to have held, and even to have improved, the record level of trading profits earned in the previous year. The trading profits of nearly £2.4 million in 1961/62 represented an increase of over 60 per cent on the comparable figure of three years earlier.

About two-fifths of the increased trading profits in 1961/62, as compared with the previous year, related to new acquisitions. On this occasion, however, unlike the previous year, there was a mixture of experience and we had cause to bless the widespread nature of our activities.

Profits: Having moved to 18 per cent as the total dividend for the year, it will be our aim at least to maintain that rate in the immediate future. 1962/63 is not going to be an easy year but I am not visualising any permanent check to the trend of the last few years.

Liquid Resources: At 31 March, 1961, the

with the cash flow, in the form of depreciation and profits retained in the Group, amounting to £2,200,000 in 1961/62. The combined movement financed capital expenditure and new acquisitions totalling approximately £4½ million and also provided for increased working capital in various trading activities. Clearly, this process cannot continue indefinitely without raising the question of the injection of fresh capital, whether in the form of equity or loan capital.

Shipping: Although we are far from satisfied with current trading conditions or with the rate of return on the substantial capital investment in ships, we can at least take comfort from the contribution to profits made by the fleet in 1961/62.

Stephenson Clarke currently own thirty-nine ships, in addition to those that are also managed by the Company, and most of these ships are engaged in coasting and short sea trades. Despite the general depression in shipping, miscellaneous shipping services did well last year.

Coal: Apart from the beneficial effect on sales of the cold and dreary final quarter of the financial year, the most noteworthy

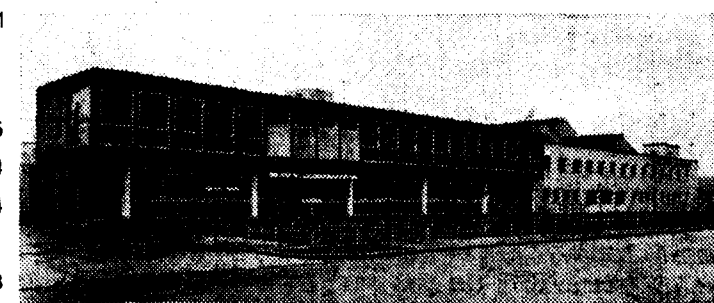
onwards, therefore, we can confidently expect to be earning profits from this installation.

Timber: Last year was not a particularly buoyant one for the timber trade. None the less, the Group's importing and distributing Companies put up a reasonably satisfactory performance. Two acquisitions are reported—Bayly and Bartlett as from October 18th, 1961 and Palgrave Brown from April 2nd, 1962.

The Queensferry insulation board mill continues to face intense competition on quality and price as a result of excess production capacity throughout Europe.

Engineering: Powell Duffryn Engineering Works at Maindy, Cardiff, had a bigger throughput of work than in the previous year. The new shape of the Company's activities is now emerging. The tank and pressure vessel department, the manufacture of Dempster-Dumpster equipment, the production of rail tank cars, and general engineering—when coupled with the remaining volume of wagon repair work—seem likely to provide a reasonable nucleus of future activity.

	1962	1961
	£	£
SALIENT FEATURES		
Profit on Trading after Depreciation	2,371,676	2,210,975
Consolidated Profit before Taxation	2,580,859	2,563,854
Net Profit after Taxation	1,564,837	1,504,294
Ordinary dividend for year	18%	16%
Capital and Reserves	22,401,710	21,653,563
Total Group Assets	41,386,223	38,693,540



The newly extended radiator works of Powell Duffryn Heating Ltd. at Cardiff. The Company's main boiler works and head offices at Camberley, Surrey, have also been enlarged and modernised.

consolidated balance sheet showed cash and near cash resources which, at £2,600,000, exceeded bank overdrafts of £700,000 by £1,900,000. The corresponding amounts at 31 March 1962 were cash and near cash resources of £900,000 and bank overdrafts of £1,800,000, resulting in a net overdraft position of £900,000. Bank balances are subject to very wide fluctuations in any one month. For example, it is nothing out of the ordinary for the difference between the minimum and maximum bank position of the Group inside a month to be of the order of £3 million or more. The foregoing comparison, is, however, indicative of the trend which must be considered in conjunction

feature of 1961/62 was the continued development of close association with the National Coal Board in its revised and aggressive marketing policy. There was a small improvement in Group export tonnage and earnings.

Oil: This important side of our activities maintained its contribution to Group profits and there was further growth in the Group's fuel oil distribution business. The oil storage business of Cory Brothers at Barry, Ipswich and Birkenhead again had a good year. The most interesting development has been the progress made with the new installation at Purfleet, where the first tanks are now operational. From next year

Heating and Air Conditioning: This has been a year of consolidation with Powell Duffryn Heating Limited establishing itself at the Camberley headquarters. In spite of these upheavals profits for 1961/62 show a substantial increase on those of the previous year.

Weatherfoil maintains its leading position in the field of specialised heating. This Company, and Andrew Air Conditioning, have an impressive list of contracts.

The Report and Accounts were adopted.

Copies of the Chairman's complete Statement can be obtained from the Secretary, Powell Duffryn Limited, 8 Great Tower Street, E.C.3.

ELECTRICITY

Big growth in demand calls for greater investment

The Annual Report of the Electricity Council for the financial year ended 31st March, 1962 was presented in London on 18th September by the Chairman, Professor Ronald S. Edwards.

The Boards supplied over 103,000 million units of electricity to more than 16 million consumers.

Total revenue was £749 million.

Net capital employed, after depreciation, was £2,320 million.

Surplus for the year, after meeting all interest charges, was £27 million—but all this was needed and used for new capital development.

Big growth in demand has brought problems—future estimates of demand have had to be increased—more generation, transmission and distribution capacity must be provided. This means a substantial increase in capital resources, by borrowing and by increased revenue. Higher surpluses will be necessary to help meet the capital programme and fulfil the financial objectives settled with the Government.

Electricity Sales in 1961-62

There was another large rise in sales of electricity: 7.9% more than the previous year. For the first time sales exceeded 100,000 million units in one year.

Domestic sales increased by 13.7% and there were heavy concentrations of demand in the extremely cold winter weather, many domestic consumers using electric fires to supplement their normal heating arrangements.

Sales to industry by the Boards as a whole increased by only 3.6%. Sales in the South Wales, North East and Midlands areas in particular were influenced by the level of activity in the iron and steel, chemicals, and vehicles industries. As the nation's economy becomes more buoyant and industrial capacity more fully har-

nessed, the Electricity Supply Industry must be ready to meet higher aggregate industrial requirements.

Total revenue from sales of electricity amounted to £670 million.

Contracting and Sales of Fittings

Income from contracting and sales of fittings by the Area Boards amounted to £65.1 million, showing a net profit of £3.6 million—little changed from the previous year and still affected by hire purchase restrictions.

Effects of Severe Weather

During the exceptionally severe weather of the Christmas holiday period, domestic demand for electricity in many localities was 50% and more above that of the pre-



vious Christmas—in some cases as much as 100% above.

While supplies remained available to the great majority of consumers—in fact 98%—a small percentage was affected by breakdowns. It was a matter of great regret in the Industry that consumers suffered this inconvenience. The highest praise is due to the operating staffs of the Boards for the way in which they maintained and restored supplies during that difficult period.

Forecasts of Future Demand

As explained in the previous year's Report, the Industry has been working to load forecasts, and therefore to plant programmes, which were below the trend line of demand. This has conserved capital—a highly desirable objective. The Industry has, how-

ever, carried the process of economy to the very limits of prudence.

In 1961 it was decided to bring future demand forecasts, with consequential changes in plant programmes, up to the equivalent of a ten year trend of demand, which would currently be a compound growth rate of 7.6%. In the light of the most recent experience the Boards have now adopted load forecasts, based on a compound growth rate of 7.9%, which, allowing for a slight increase in load factor, assume an increase in sales of units of rather more than 8% per annum.

The Electricity Council expect that in future there will be fuller exploitation of the advantages of electricity—further industrial mechanisation directed to cost reduction, productivity and the more effective use of manpower. In the home the demand for electricity for its labour-saving, its convenience and its cleanliness is also likely to result in a pronounced increase in use.

The current forecasts are based on a somewhat higher rate of increase in the Gross Domestic Product than has been achieved in the past decade. The implications for the supply industry of a significant stimulus to this growth rate are being considered in conjunction with the National Economic Development Council.

New Plant for More Power

During the year the Central Electricity Generating Board installed 1,927 MW of new generating plant, bringing net output

capacity to just under 29,000 MW, and this figure is expected to rise to 43,000 MW in 1966.

Most of the extra plant will be installed in 25 large new power stations, of which seven will be based on nuclear energy. The rate of plant construction and installation presents a technical challenge to all concerned and requires an immense capital investment. The Area Boards in their turn have not only to reinforce their networks to meet existing loads, but to increase the capacity to match the growth of demand. In the meantime, the supply system will still be vulnerable to conditions of stress during cold spells.

Capital Requirements and Financing

The basis for financing the Industry's capital programmes was agreed with the Government during the year in the light of the White Paper on the Financial and Economic Obligations of Nationalised Industries. This agreement required the Industry over the five years starting April 1962 to earn an average gross yield on its net assets of 12½% of which 5½% would be for depreciation, 4½% the average interest on all outstanding borrowings and 2½% for surpluses to be ploughed back into the Industry for capital development. The effect would be that, of the five year capital programme of £2,035 million, depreciation would provide £815 million, and surpluses £336 million, leaving about £900 million to be borrowed.

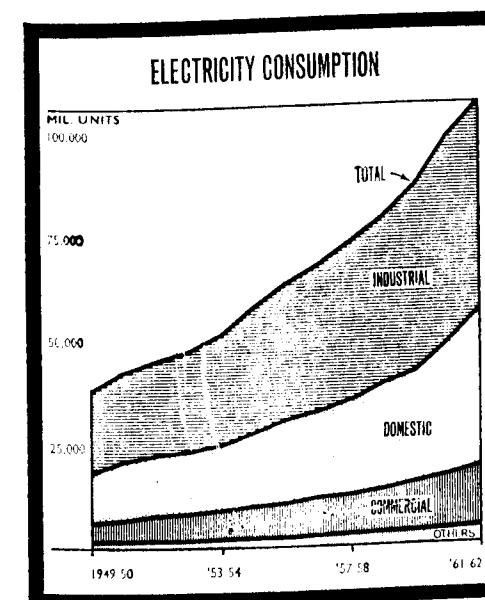
The reviews at present in hand to meet the enlarged capital programmes may well increase expenditure to over £2,300 million for which the additional resources will have to be found by borrowing and additional revenue.

To meet their capital requirements the Boards will do all in their power to provide resources through increased efficiency and economy. Nevertheless, increases in tariffs are unavoidable. In three Boards general increases in tariffs have come into operation since the beginning of 1962/3 and two others will be making increases effective during this year.

Most of the remainder will need to make tariff increases becoming effective in 1963/4.

Research

In their continuing search for efficiency and economy both in capital and in revenue expenditure the Boards and the Council have been developing as fast as practicable their programmes of research and development. Aggregate expenditure on research facilities and operations amounted in 1961/2 to £6 million as against £1 million five years ago. During the year two new research laboratories have been brought into use by the Generating Board and a third is under construction. The great bulk of the research expenditure is on generation and transmission. Distribution research is now being increased and in particular the Industry is intensifying its research in the commercial and economic fields.



TRADING RESULTS

	£ million	
	1961-62	1960-61
Gross income from all trading activities	749	669
Operating and other costs (excluding depreciation)	515	465
	<u>234</u>	<u>204</u>
Depreciation	112	104
Interest and financial charges, etc.	<u>95</u>	<u>84</u>
Net surplus—used to finance capital requirements	<u>27</u>	<u>16</u>

CAPITAL REQUIREMENTS AND FINANCING

	£ million	
	1961-62	1960-61
Capital requirements—		
Fixed assets and nuclear fuel	331	298
Less decrease in working capital	4	8
	<u>327</u>	<u>306</u>
Financed from—		
Internal resources	153	134
External borrowings	<u>174</u>	<u>156</u>
	<u>327</u>	<u>290</u>

THE ELECTRICITY COUNCIL

ANGLO-CYLON & GENERAL ESTATES

IMPROVED TRADING RESULTS

The seventy-sixth annual ordinary general meeting of The Anglo-Ceylon & General Estates Company Limited was held on September 12th in London.

Mr Francis W. Douse (the chairman) presided and, in the course of his speech, said:

For the year ended March 31, 1962, the income of the Group from all sources amounted to £1,135,898, as compared with £1,126,230, resulting in a net profit to the Company of £430,633 as against £379,769. The dividend we are recommending is the same as we have paid for the past four years, viz. 2s. per 5s. unit of stock and is being paid out of earnings of 2s. 3d. per unit. These results can be considered as satisfactory.

COMPANY MEETING REPORTS

The gross profit percentages in respect of 1961/62 profits are: Mauritius—77 per cent. Ceylon—23 per cent.

The average net price obtained for our sugar was approximately £32 17s. 0d. per ton. This is the lowest figure for many years and is due to the low level of prices obtained for that part of the Island's crop sold on the World Market and also to the fact that the 5 per cent Export Duty, to which I made reference last year, has been taken into account. As in previous years, the main proportion of the Island's exports was sold to the United Kingdom, under the terms of the Commonwealth Sugar Agreement which at present runs until December 31, 1969.

As regards Ceylon, I greatly regret that the overall financial picture is such as to cause grave concern, both to the Ceylon Government and to all engaged there in Commerce and Industry. Nationals and non-Nationals share alike the desire to see Ceylon's Economy re-established on

THE ECONOMIST SEPTEMBER 22, 1962

a firm and stable basis for the welfare and social advancement of an increasing population. I am sorry to say that since I last addressed you, notwithstanding the Island's record production of tea last year, to which your Company contributed handsomely, the state of the Island's Economy has shown little sign of improvement despite fiscal measures and steps taken by the Government to check the drain on the Balance of Payments.

I now come to a brief survey of trading conditions and the prospects for the current year. I cannot predict with any certainty any increase in the return we may expect from Ceylon operations and it might well be that it may be less than for the year under review. It is quite impossible at this stage, with the crop only partially harvested, to give any accurate forecast of our results in Mauritius, but it is certain that there will be some falling off in income and profit for the current year.

I am not unduly disturbed at the prospect of what may prove to be only a temporary recession in the Company's profits and I think Shareholders should be happy that our cash resources are considerable and that we have a large Carry Forward to the credit of our Profit & Loss Account which remains at the ready disposal of the Directors in their discretion for use in such circumstances.

May I just add that at the date of the Balance Sheet we are considering, the Issued Capital of the Company is more than covered by net liquid assets and, therefore, with the market price of our Shares at 12s. 6d., about 7s. 0d. per unit is left as representing the market value of all the other assets of the Company.

The report and accounts were adopted.

R. G. SHAW & COMPANY

The twenty-first annual general meeting of R. G. Shaw & Company Limited will be held on October 9th in London.

The following is an extract from the circulated review of the chairman, Sir Charles Miles, OBE:

The Group profits before taxation amounted to £468,959 as compared with £415,008 for the previous year. After deducting the amount required for taxation on the profits for the year to June 30, 1962, and crediting the sum of £21,000 for taxation over-provided in previous years there remains £237,432 as compared with £203,767 for last year.

Your Board has transferred £80,000 to General Reserve and is recommending a final dividend of 12½ per cent (making 20 per cent for the year on the Capital as increased by the scrip issue made during the year), leaving £135,276 to be carried forward in the Group Profit and Loss Account. A Subsidiary Company has transferred to Contingencies Reserve £35,000 out of its retained profits.

As indicated in last year's review, the issued Capital of the Company was duly increased at an Extraordinary General Meeting held on December 19, 1961, to £1,000,000 by way of Capitalisation of Reserves and the issue of 100,000 £1 shares.

The trading profits of the Group were almost the same as last year but it is pleasing to record that the steady expansion in our income from Trade Investments continues and it is from this source that the increase of approximately £54,000 in the total gross profits has been derived.

MANDLEBERG OF SALFORD

Main Division:

Dyeing & Finishing, Garment Manufacturing, Rubber & Plastic Processing

An encouraging note was struck in the Chairman's statement presented to the annual general meeting in Manchester on September 19, despite the fact that a drop in net profit before tax in 1961/62 from £300,430 to £210,615 was reported. This was still well above the 1960 figure. Main points of the statement were:—

Turnover Increased

In all departments, except retail interests, turnover increased. Almost half the drop in profits was due directly to the Little Budget. The greater part, if not all, of the balance was due indirectly to Government Policy.

Employees' Bonus

All workers had received a bonus related to profits made. Capital expenditure of £107,000 was a large proportion of profits but this policy was amply justified by improved results in recent years and increased turnover in such a difficult year.

Pioneers in Finishing

"Valstar" garments were becoming more and more widely known and the various "Jemco" finishing processes were famed all over the world. The Group, a pioneer in the finishing departments, intended to continue as such.

Copies of the Directors' Report and Statement of Accounts can be obtained from:
J. Mandleberg & Co (Holdings) Ltd., Pendleton, Salford 6

STEVINSON, HARDY & CO. LIMITED

(Oil Importers and Distributors, Tanker
Agents and Charterers)

A SUCCESSFUL YEAR'S TRADING

The twenty-fifth ordinary general meeting of Stevinson, Hardy & Co. Limited was held on September 19th in London, Mr H. L. Stevinson (chairman and managing director) presiding.

The following is an extract from his circulated statement:

The profits for the twelve months ending March 31, 1962, amount to £571,584 compared with £428,912 for the previous twelve months. The figures for the current year are inflated to the extent of £39,809 by an adjustment of a period contract which strictly is not applicable to the year under review. However, despite this we are able to put before you a fair increase in profits. To maintain increased turnover and rhythm of the business the Board have committed themselves to a capital expenditure within the Group in the calendar year ending December, 1962, of approximately £300,000, mainly for additions to storage, depots and transport.

SCRIP ISSUE

We are proposing to issue free to shareholders

one share for every two held, thus capitalising £500,000 of the Reserves. As that will absorb the million shares remaining of our Authorised Share Capital in excess of what has been issued, we are asking you at this time to authorise us to increase the Authorised Capital by a further two million shares.

With the increase of the number of shares in issue we see some difficulty in dealing with the realised capital profits out of which we have been distributing 3d. per share for the last few years, and we propose to pay this year 6d. per share which will virtually eliminate the funds from which this annual payment has been made. We have already paid in February an Interim Dividend of 7½ per cent, less tax, and we are now proposing a Final Dividend of 15 per cent, less tax, and a Special Anniversary Bonus of 2½ per cent, less tax.

Referring to the Company's operations Mr Stevinson said: On the internal distribution of fuel oils of various types there was a satisfying increase of tonnage, although as in the previous year margins were diminished. The endeavours we have made in the past few years to spread our activities over the country from London, where we first started, to Cardiff, Bristol, Liverpool and Birmingham have proved worth while. We foresee continued growth on this side of our business.

The Chartering Department produced, in general terms the same contribution to our profits as it did last year.

In what might be considered a difficult year the general International Trading Department and the Bunkering Department produced, roughly speaking, the same combined profits as previously.

Having reviewed the progress of the subsidiary companies, the chairman concluded:

FOREIGN COMPETITION

You might well expect me to comment on the entry into the U.K. petroleum market of two or three important American oil companies and Continental interests. We are, of course, aware of their activities and without doubt they will secure some percentage of the trade in this country. On the other hand, we feel that if we attend to our responsibilities here and are able to maintain our extremely friendly relations with our buyers and, if I might say so, our reputation for service, our expansion in this country will continue.

The report was adopted and resolutions were approved increasing the capital of the company to £2,500,000 by the creation of 2,000,000 additional 10s. Shares and giving effect to the one-for-two scrip issue.

VOKES GROUP LIMITED

Specialists in Filtration and Silencing Equipment and other Specialised
Engineering Products

YEAR OF CONTINUED PROGRESS

Profit	...	...	...	...	£620,465.	(£580,507)
Less Taxation	...	...	...	...	£322,009.	(£265,593)
Net Profit	...	...	...	...	£298,456.	(£314,914)

Recommended Final Dividend of 14½ per cent less Tax making, with the Interim Dividend of 5½ per cent less tax, a total Ordinary Dividend for the year of 20 per cent less tax £149,940 (same).

The twenty-fifth Annual General Meeting of Vokes Group Limited was held on Tuesday the 18th inst. at Woking, Sir Ian Stewart-Richardson, Bt., the Chairman, presiding.

The following is a précis of his circulated statement for the year ended March 31, 1962: It is with great regret that I have to announce the death of Mr C. G. Vokes, the Founder of the Company, on Sunday, November 12, 1961. Mr Vokes retired from the Managing Directorship of the Company in 1949 and his very great contribution to, and influence on, the earlier affairs of the Company were acknowledged in my statement last year following his retirement from the Board.

The Accounts presented reflect the first full year of the Group since the reconstruction carried out in September, 1960. There has again been an increase in the trading profits of the Group. The slightly lower net profit after taxation is due to the increased rate of Profits Tax and that the profits for the previous year benefited to a greater extent from an adjustment of taxation in respect of prior years. Fixed Assets have been further substantially increased and reflect to a major extent the final stage of the present Work's extensions, all of which have been financed out of the Group's retained profits.

The results achieved reflect credit on all concerned and a rise from increased sales that have more than off-set lower profit margins; continued investigation of overseas market requirements has substantially increased the Group's direct exports during the period. The present order book is satisfactory and output has been well maintained. However, the current flow of orders tends to be more spasmodic. The uncertainties of the outcome of the Common Market negotiations, the political situation at home and abroad, combined with an increase in import restrictions by certain overseas countries have all had a depressing effect on capital expenditure upon which a considerable proportion of the Group sales depend.

A controlling interest has recently been acquired in a small engineering company in Holland. Whatever the outcome of the Common Market negotiations, this is considered a beneficial investment and of material assistance to the Group's agents within that market. Full attention to research, design and development continues and is essential if the operating companies are to maintain their position in the many fields of industry they serve.

It is fitting to draw Members' attention to the considerable expansion achieved over the post-war years. From one operating company, Vokes Limited, and a small subsidiary in Australia, the Company has expanded to its present position of a Group consisting of fifteen operating subsidiaries or associate companies—five of which carry out indigenous manufacture overseas—and direct representation in a great many other countries through agents or licensees. Great credit for this progress must go to the strong executive team built up over the years, and, in particular, to the Managing Director and the Secretary as the two senior full time executives.

The Chairman concluded by expressing thanks to all concerned for the satisfactory results achieved.

The Report and Accounts were adopted.

APPOINTMENTS

UNIVERSITY OF ADELAIDE

LECTURER IN ACCOUNTING

Applications are invited for the above-mentioned appointment.

SALARY SCALE: £41,678-£100,424 p.a. with superannuation on the F.S.S.U. basis. The initial salary may be fixed within the scale in accordance with the successful candidate's qualifications and experience.

FURTHER INFORMATION: A potential candidate for the post 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 Commerce. The University will gladly supply any further information desired on request to the Registrar.

APPLICATIONS, in duplicate, should give the information listed in the first paragraph of the General Conditions of Appointment, and should reach the Registrar, The University of Adelaide, Adelaide, South Australia, not later than October 31, 1962.

VICTORIA UNIVERSITY OF WELLINGTON

New Zealand

LECTURER IN ASIAN STUDIES

Applications are invited for the above-mentioned post. Candidates should be social scientists, (political scientists, economists, sociologists, social anthropologists, geographers, or historians) who have specialised in the study of the contemporary problems of Asia. The Department of Asian Studies began teaching in March 1958. It offers courses at the B.A., B.Sc., and M.A. levels. The work done in the Department is designed for students who have no previous background of Asian study and do not propose to become specialists in the field. Emphasis is placed on the contemporary problems of Asia, studied through the social sciences.

The salary will be £1,250 rising to £1,700 per annum. The initial salary will be determined according to the qualifications and experience of the appointee. Approved fees to Wellington will be allowed for the appointee, his wife and his dependent children. In addition, actual removal expenses will be allowed within specified limits.

Further particulars and information as to the method of application should be obtained from the Secretary, Association of Universities of the British Commonwealth (British Office), Marlborough House, Pall Mall, London, S.W.1. Applications close in New Zealand and London on October 30th, 1962.

UNIVERSITY OF OTAGO DUNEDIN, NEW ZEALAND

ONE OR TWO LECTURERS IN THE DEPARTMENT OF HISTORY AND POLITICAL SCIENCE

Applications are invited for the position of Lecturer in the Department of History and Political Science of the University of Otago. Salary range: £1,250-£1,700. Further particulars are available from the Secretary, Association of Universities of the British Commonwealth, Marlborough House, Pall Mall, London, W.C.1, or from the Registrar, University of Otago, Dunedin. Applications close in New Zealand and London on October 31, 1962.

For further appointments and other
classified advertisements see page 1156
CITY OF OXFORD EDUCATION
COMMITTEE

COLLEGE OF TECHNOLOGY

Applications are invited for the post of LECTURER IN MANAGEMENT STUDIES with good qualifications in the field of Applied Economics and industrial relations and with some industrial experience. Facilities for research available.

Salary in accordance with the Burnham Technical Scale, i.e., £1,000 to £1,800 per annum. Further particulars and application forms, which should be returned by October 30th, can be obtained from the Principal, College of Technology, Headington Road, Oxford. Stamped addressed envelopes required.

UNIVERSITY OF SINGAPORE

Applications are invited for (i) Lectureship or (ii) Assistant Lectureship in Economics. Salary scales: (i) £1,148 x £49—£1,442/£1,540 x £56—£1,820 p.a.; (ii) £1,001 x £49—£1,097 p.a. Entry point according to qualifications and experience. Allowances: Expatriation in range £280-£300 p.a.; cost of living (temporary) in range £210-£500 p.a. Passages for appointee, wife and children not exceeding 12 years. Partially furnished house/flat at reasonable rent. Provident Fund Scheme. Detailed applications (eight copies), naming three referees, by October 31, 1962, to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

UNIVERSITY COLLEGE OF SWANSEA

Applications are invited for a RESEARCH FELLOWSHIP IN SOCIAL STUDIES (tenable at the University College of Swansea for a period of two years). The person appointed to the Fellowship will be expected to base his research on the area in and around Swansea. Salary will be within the scale £1,150-£1,500, the starting point dependent upon the successful candidate's age, qualifications and experience. F.S.S.U. benefits and Family Allowances. Further particulars may be obtained from the Registrar, University College of Swansea, Singleton Park, Swansea, to whom applications (six copies) should be sent not later than Saturday, October 13, 1962.

COMPANY AFFAIRS

In the London stock market gilt edged stocks have again made the running and gains have been widespread throughout the list with the market supported by substantial institutional buying. By Thursday the pace had slackened but the undertone remained firm. The sharp fall in gilt-edged yields brought in turn some support later in the week for equities which were also helped by the satisfactory conclusion to the Commonwealth talks on Britain's entry into the common market. But over the week The Economist indicator slipped back slightly by a half point to 326.1. The Rank Organisation shares improved on the chairman's statement.

Rank Organisation's Optimism



ON opening the 1962 annual report and accounts of the Rank Organisation shareholders will find a photograph of a profusion of vans of all shapes and sizes run by the various divisions that make up the organisation. Although they carry different names they now all have a standard livery and all carry the Rank symbol. This may seem unimportant, but it illustrates the result of the group's reorganisation made possible by the acquisition of the large minority interest of Gaumont British. The group is now organised into separate operating divisions with their own management boards. In each the chairman is Mr John Davis, who now succeeds Lord Rank as the chairman of the Organisation. The group's activities can be classified under three main headings—film exhibition and production, miscellaneous or leisure service activities and manufacturing and marketing.

As the table shows the pattern of their contributions to profits has changed. The improvement in profits from film exhibition in this country owes almost everything to the reduction and then the abolition of entertainments duty. Now these profits show signs of stabilising; here the closing of 148 cinemas of the 507 operating in 1957 has played a big part. But cinema attendances are still falling and this may lead to some reduction in profits. Even a greater threat to profits at the moment is the sharp fall in films being produced in Hollywood. Nevertheless Lord Rank hopes for higher profits from the group as a whole, with miscellaneous activities making up any fall in cinema profits. Among Rank's leisure activities ten pin bowling has apparently captured much more interest than had been anticipated and the plan is to double the number of bowling centres in the next twelve months; it usually takes up to eighteen months however to put a bowling

hall on to a profitable basis. The ball room and catering interests are also being expanded.

Manufacturing profits have taken the hardest knock recently and yet it is here that the greatest growth potential may lie. This centres on Rank Xerox, jointly owned with the Xerox Corporation of America. The expansion in demand for Xerox's products, which are largely marketed on a rental basis, requires substantial new funds. The issued capital of Rank Xerox of £2 million will be raised by £1½ million early in 1964 and another £1½ million will be raised in

Years to end-June	1960		1961		1962	
	Profits	%	Profits	%	Profits	%
Exhibition in Britain	2,272	44.4	3,628	56.2	3,733	56.4
Exhibition overseas	460	9.0	340	5.3	399	6.0
Film production and distribution	217	4.2	529	8.2	209	3.2
Film studios and labs.	407	8.0	481	7.5	573	8.7
Manufacturing	1,532	29.9	1,148	17.8	725	11.0
Miscellaneous	234	4.5	325	5.0	978	14.7
Total	5,122	100.0	6,451	100.0	6,617	100.0

loan capital. This in turn will mean rights issues by Rank Precision Industries and Kershaw. A maiden dividend is expected from Rank Xerox in the current year and its prospects are described as "exciting." This description would hardly apply to Rank's other manufacturing activities such as RPI's photographic interests (which have been hit hard by intense competition, notably from Japan) and Bush Radio (which has been affected by the over-production of television sets and the sharp swing to television rental). But the scope for rationalisation and integration following the acquisition of Murphy Radio is described as substantial, even though initial benefits are likely to be offset by reorganisation expenses. The generally optimistic tone of Lord Rank's statement suggests that the yield of 4½ per cent offered by the 5s. shares at 29s. 9d. puts a fair assessment on the group's prospects.

Great Universal Stores



IN the past few years the policy of Great Universal Stores has been centred on internal expansion rather than upon further acquisitions. But there are clear indications that this policy is being constantly adjusted to changing trading conditions. Buoyancy and zip has gone out of retail trade for the moment and Sir Isaac Wolfson tells shareholders in his annual statement that trade over the past few months has been difficult. Even so the first four months' trading results are comparable with those of 1961-62. To meet this challenge GUS is expanding both in existing and in new fields.

	1958	1959	1960	1961	1962
Trading profit	23.4	24.7	27.4	28.9	30.1
Gross profit	20.7	21.7	24.3	26.1	27.6
Net equity earnings	8.1	9.8	11.3	11.5	11.9
Retained cash flow	6.1	7.5	8.2	8.2	8.3
Net fixed assets	38.7	38.4	36.6	36.8	37.7
Net current assets	52.4	58.7	68.0	75.3	83.7
Net liquid assets	4.3	6.0	6.6	9.0	14.0
Net equity assets	62.4	68.8	76.4	84.8	93.8
Ord. earnings (per cent)	61.2	70.1	79.5	80.9	83.9
Ord. dividend (per cent)	29.5	31.8	37.5	37.5	40.0
Gross profit net equity assets	33.2	31.5	31.8	30.8	29.4
Net earnings net equity assets	13.0	14.2	14.8	13.6	12.7
Price (5s. shares)	60s. 7½d.				
Dividend yield	3.3%				

One of the fastest growing sectors of the retail trade is the mail order business and GUS is the clear leader in this field. Sir Isaac is confident that this is still a growth business both here and in Europe where GUS hopes to secure a strong foothold and is negotiating the purchase of an "important European mail order house." This follows last month's move into the supermarket field by the acquisition of a controlling interest in William Cussons which has a chain of 60 food shops (of which about 40 are self service and supermarkets largely in Midlands and the North). The intention is to develop "vigorously" these supermarket interests, presumably widening their area of operations to include the South. Such expansion will not be inhibited by a shortage of funds, for at the end of March GUS's cash holdings in this country amounted to £15.2 million against overdrafts overseas of £1.1 million and the group's net cash flow excluding tax credits amounted to £8½ million. Such figures go a long way to justify the low yield of 3½ per cent on the "A" shares at a price of 60s. 7½d. (cum the one for three scrip issue).

Calico Printers

CALICO PRINTERS is always hit hard by a slump in cotton textiles, but after the war and until this year the group had managed to maintain its ordinary dividend from reserves even when net earnings failed to cover the preference dividend. Something of the sort could justifiably have been expected this year for the 1960-61 dividend was covered 3½ times and the 1961-62 interim was held at 7½ per cent on the

strength of "Terylene" royalties. The group was also well buttressed with liquid assets. But though royalties rose by £352,000 to £2,510,000 in the year to June 30th last the total distribution has been cut from 21½ to 20 per cent.

Royalties were easily capable of supporting the losses sustained by the trading interests of the group, but the board has chosen to put £250,000 to general reserve leaving the reduced dividend covered more than 1½ times by earnings. Income from "Terylene" royalties will soon be running down and this may have made the board more anxious to draw in its horns when faced with a bad patch in the cotton trade, especially if stocks have shown a further increase.

Business in the printing and finishing sections of the parent company dropped to 70 per cent of the previous year's level; losses were also incurred in spinning and weaving because of price cutting, though the volume of output was maintained. Merchandising departments were naturally affected by the run down in the general level of business this year. The parent company turned a £1 million profit into a £1 million loss and similar reverses were suffered by most of the subsidiaries operating in this field. But new subsidiaries in retailing, where the group is making a strong effort, contributed £440,000 to the group's trading results. In all, group net profits declined from £1,924,000 to £1 million. The tax charge was affected by the trading loss but royalty income after providing for full taxes would have amounted to £1,161,000. After the results Calico Printers' 5s. shares lost 7½d. to 9s. 7½d., to yield 10.4 per cent.

City Centre Properties

CURRENT profit figures of a property development group have only a limited worth; what is much more important is the size and scope of the development programme and what this is likely to mean in future earnings and dividends. The figures of City Centre Properties, which is by far the biggest property development company in this country, are especially confusing as changes in accounting dates mean that the City Centre's profits for the nine months to end-March are compared with a fifteen months period in 1960-61. The total income of £6 million for the latest period is not much below the £6.4 million for the earlier, longer one and it suggests that rental income is now running at an annual rate of £8 million. On an adjusted annual basis net attributable profits are over a third higher at £726,000 but in the previous fifteen months only 12 months' profits from City and Central Investments and only 6 months' profits from Manchester Royal Exchange were included.

The latest dividend of 22½ per cent, which absorbs all available profits, is the equivalent

of an annual rate of 30 per cent (compared with 25½ per cent for 1960-61). A dividend of not less than 40 per cent has already been forecast for 1963-64 but the directors anticipate that this will be "substantially exceeded." By then the Pan-Am Building in New York and a number of important development projects in this country should be giving rental income a sharp boost. This is reflected in the yield of 2½ per cent offered by the 5s. shares on a 30 per cent dividend; but the size of City Centre's development programme and the extent of its long term financial arrangements are such that its growth potential is not necessarily over-discounted.

Keyser Ullmann

THE current popularity of merchant banking shares has again been demonstrated by the heavy response to the offer for sale of 350,000 ordinary shares of £1 each in Keyser Ullmann at 44s. each. At this price the shares offer a prospective yield of 3.6 per cent on an 8 per cent dividend; this would seem to offer scope for a useful premium when dealings start next week.

The newly amalgamated Keyser Ullmann group is not so well known as some other quoted merchant banks but its roots run deep. On the Keyser side they can be traced back to 1868 when the A. Keyser business was launched by Samuel Montagu which controlled it until 1908. At one time it specialised in the placing of American railroad bonds in this country and between the wars it built up a big arbitrage business. This is now a much less important side of the bank's operations and since 1945 other parts of the business, notably in the money market and in gilt-edged dealings, have expanded rapidly. More recently Keyser has begun to sponsor new issues and to manage investment trusts. Ullmann does not have such a long history. It was founded by its present chairman, Mr Max Ullman, in 1932, and it now offers a comprehensive commercial banking service and specialises in the traditional merchant banking business of financing overseas trade (acting as London correspondent for some 250 foreign banks, including some central banks).

The profits record of both businesses show quite wide fluctuations; but the amalgamation of the two businesses may iron out some of the fluctuations in the future. After allowing for higher directors' emoluments profits before tax for the year to end March, 1963, are forecast at about the 1961-62 level of £400,000. This, however, does not take into account any earnings arising from the new issue proceeds of £450,000 nor of any benefits which may arise from the closer co-operation of the two businesses. On this estimate the dividend would be covered 1½ times; but this would improve if the liability for profits tax is reduced through the receipt of franked investment income (which varies widely from year to year).

Fairey



THIS year has brought rich rewards for Fairey shareholders and is in contrast with the gloom of 1961 when profits fell sharply and the dividend was cut from 20 to 7½ per cent. For this Fairey shareholders can thank a take-over bid, which was largely defeated by various distributions of capital and income. At the time of this struggle, pre-tax profits were forecast at £700,000; this estimate was comfortably exceeded in the year to end-March when gross profits amounted to £838,000, or about seven times the comparable figure for 1960-61. The dividend of 15 per cent is as forecast, so that the 10s. shares which have risen from 16s. 4½d. to 17s. 3d., following the preliminary results, yield 8½ per cent. A further 1s. in cash is to be distributed with the dividend; this will bring the total cash distribution up to 7s. 6d. and in addition Fairey shareholders have received on each of their shares half a share in Siebe Gorman (now quoted at 9s.) and a participating certificate in the Great West Aerodrome claim (currently valued at about 3s.).

Now the directors have to live up to their 1962-63 forecast of profits before tax of £650,000 (excluding the Siebe Gorman profits which for 1961-62 amounted to £128,000). On the 1961-62 figures this seems well within the scope of the group, particularly as Aeroplastics, which made a loss of £150,000 last year, has ceased to trade and as the Belgian subsidiary, Avions Fairey, is now earning profits again. Against this however must be set the fact that £250,000 of the 1961-62 profits rose from the settlement of contracts against which the costs had been largely written off in earlier years. The current yield appears to put a reasonable discount on the uncertainties which face what is now largely an engineering business, which, though it is still interested in aircraft production through its overseas subsidiaries, is no longer dependent upon aircraft research and development.

THE ECONOMIST INDICATOR							
(1953=100)							
1962	Indicator	Yield %	1962				
Aug. 15	336.5	5.09	High	Low			
" 22	335.1	5.13					
" 29	335.8	5.11	364.4 (Jan. 17)	310.3 (June 27)			
Sept. 5	328.5	5.21					
" 12	326.6	5.25					
" 19	326.1	5.28					
FINANCIAL TIMES INDICES							
1962	Index †	Ord. Yield	2½% Consols Yield	Bargains Marked			
Sept. 13	274.0	5.69	5.74	9,502			
" 14	272.3	5.72	5.74	9,177			
" 17	271.9	5.73	5.69	11,617			
" 18	272.8	5.71	5.60	10,145			
" 19	274.4	5.68	5.55	10,499			
High, 310.2 (Jan. 19). Low, 252.8 (June 25). † July 1, 1935=100.							

STOCK PRICES

AND YIELDS

LONDON: NEW YORK: FRANCE:
GERMANY: HOLLAND: ITALY:
BELGIUM: SWEDEN: NORWAY

Prices, 1962		Price, Sept. 12, 1962		Price, Sept. 19, 1962		Net Red. Yield, Sept. 19, 1962		Gross Red. Yield, Sept. 19, 1962		Prices, 1962		Last Two Dividends (a) (b) (c)		Price, Sept. 12, 1962		Price, Sept. 19, 1962		Yield, Sept. 19, 1962		Cover	
High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
BRITISH FUNDS AND GUARANTEED STOCKS																					
100 ¹⁵ / ₁₆	100 ³² / ₁₆	Treasury 5½%.....1962	100.5.6	100.4.11	£ s. d.	£ s. d.	105.7	79.9	6 ¹ / ₂ b	6 ¹ / ₂ a	6 ¹ / ₂ a	105.7	79.9	6 ¹ / ₂ b	6 ¹ / ₂ a	6 ¹ / ₂ a	105.7	79.9	6 ¹ / ₂ b	6 ¹ / ₂ a	6 ¹ / ₂ a
99 ¹ / ₁₆	99 ¹ / ₁₆	Exchequer 3½%.....1962-63	99 ¹ / ₁₆	99 ¹ / ₁₆	2 5 3	3 17 4	100.7	61.1	7 ¹ / ₂ b	7 ¹ / ₂ a	7 ¹ / ₂ a	100.7	61.1	7 ¹ / ₂ b	7 ¹ / ₂ a	7 ¹ / ₂ a	100.7	61.1	7 ¹ / ₂ b	7 ¹ / ₂ a	7 ¹ / ₂ a
100 ¹ / ₁₆	98 ¹ / ₁₆	Conversion 4½%.....1963	100 ¹ / ₁₆	100 ¹ / ₁₆	1 7 3	3 17 3	70.6	53.3	5 ¹ / ₂ b	4 ¹ / ₂ a	4 ¹ / ₂ a	70.6	53.3	5 ¹ / ₂ b	4 ¹ / ₂ a	4 ¹ / ₂ a	70.6	53.3	5 ¹ / ₂ b	4 ¹ / ₂ a	4 ¹ / ₂ a
98 ¹ / ₁₆	98 ¹ / ₁₆	Exchequer 2½%.....1963-64	97 ¹ / ₁₆	97 ¹ / ₁₆	2 9 7	3 13 5	25.6	20.7	7 ¹ / ₂ b	7 ¹ / ₂ a	7 ¹ / ₂ a	25.6	20.7	7 ¹ / ₂ b	7 ¹ / ₂ a	7 ¹ / ₂ a	25.6	20.7	7 ¹ / ₂ b	7 ¹ / ₂ a	7 ¹ / ₂ a
100 ²³ / ₃₂	97 ¹ / ₁₆	Conversion 4½%.....1964	100 ²³ / ₃₂	100 ²³ / ₃₂	1 18 4	4 0 7	100.9	80.7	7 ¹ / ₂ b	7 ¹ / ₂ a	7 ¹ / ₂ a	100.9	80.7	7 ¹ / ₂ b	7 ¹ / ₂ a	7 ¹ / ₂ a	100.9	80.7	7 ¹ / ₂ b	7 ¹ / ₂ a	7 ¹ / ₂ a
96 ¹ / ₁₆	90 ¹ / ₁₆	Savings Bonds 3½%.....1955-65	96 ¹ / ₁₆	96 ¹ / ₁₆	3 1 8	4 6 3	97.9	71.1	6 ¹ / ₂ b	6 ¹ / ₂ a	6 ¹ / ₂ a	97.9	71.1	6 ¹ / ₂ b	6 ¹ / ₂ a	6 ¹ / ₂ a	97.9	71.1	6 ¹ / ₂ b	6 ¹ / ₂ a	6 ¹ / ₂ a
102 ¹ / ₁₆	98 ¹ / ₁₆	Exchequer 5½%.....1966	102 ¹ / ₁₆	102 ¹ / ₁₆	2 11 9	4 14 0	48.3	40.6	8 ¹ / ₂ b	4 ¹ / ₂ a	4 ¹ / ₂ a	48.3	40.6	8 ¹ / ₂ b	4 ¹ / ₂ a	4 ¹ / ₂ a	48.3	40.6	8 ¹ / ₂ b	4 ¹ / ₂ a	4 ¹ / ₂ a
91 ¹ / ₁₆	85 ¹ / ₁₆	Savings Bonds 2½%.....1964-67	91 ¹ / ₁₆	91 ¹ / ₁₆	3 10 8	4 13 0	40.9	34.3	5 ¹ / ₂ b	3 ¹ / ₂ a	3 ¹ / ₂ a	40.9	34.3	5 ¹ / ₂ b	3 ¹ / ₂ a	3 ¹ / ₂ a	40.9	34.3	5 ¹ / ₂ b	3 ¹ / ₂ a	3 ¹ / ₂ a
101 ¹ / ₁₆	98 ¹ / ₁₆	Exchequer 5½%.....1967	101 ¹ / ₁₆	101 ¹ / ₁₆	2 16 11	4 17 7	25 ¹ / ₂ b	21 ¹ / ₂	2 ¹ / ₂ b	2 ¹ / ₂ a	2 ¹ / ₂ a	25 ¹ / ₂ b	21 ¹ / ₂	2 ¹ / ₂ b	2 ¹ / ₂ a	2 ¹ / ₂ a	25 ¹ / ₂ b	21 ¹ / ₂	2 ¹ / ₂ b	2 ¹ / ₂ a	2 ¹ / ₂ a
90 ¹ / ₁₆	83 ¹ / ₁₆	Funding 3½%.....1966-68	89 ¹ / ₁₆	89 ¹ / ₁₆	3 12 9	4 18 0	35 ¹ / ₂ b	27 ¹ / ₂	8 ¹ / ₂ c	8 ¹ / ₂ c	8 ¹ / ₂ c	35 ¹ / ₂ b	27 ¹ / ₂	8 ¹ / ₂ c	8 ¹ / ₂ c	8 ¹ / ₂ c	35 ¹ / ₂ b	27 ¹ / ₂	8 ¹ / ₂ c	8 ¹ / ₂ c	8 ¹ / ₂ c
91 ¹ / ₁₆	84 ¹ / ₁₆	Conversion 3½%.....1969	90 ¹ / ₁₆	90 ¹ / ₁₆	3 11 10	5 0 7	39 ¹ / ₂ b	32.6	5 ¹ / ₂ b	5 ¹ / ₂ b	5 ¹ / ₂ b	39 ¹ / ₂ b	32.6	5 ¹ / ₂ b	5 ¹ / ₂ b	5 ¹ / ₂ b	39 ¹ / ₂ b	32.6	5 ¹ / ₂ b	5 ¹ / ₂ b	5 ¹ / ₂ b
88 ¹ / ₁₆	82 ¹ / ₁₆	Funding 3½%.....1959-69	87 ¹ / ₁₆	87 ¹ / ₁₆	3 14 11	4 19 6	58.6	53.1	7 ¹ / ₂ b	7 ¹ / ₂ a	7 ¹ / ₂ a	58.6	53.1	7 ¹ / ₂ b	7 ¹ / ₂ a	7 ¹ / ₂ a	58.6	53.1	7 ¹ / ₂ b	7 ¹ / ₂ a	7 ¹ / ₂ a
97 ¹ / ₁₆	92 ¹ / ₁₆	Victory 4½%.....1920-76	95 ¹ / ₁₆	95 ¹ / ₁₆	3 0 11	4 13 11	119 ¹ / ₁₆	116	10 ¹ / ₂ b	5 ¹ / ₂ a	5 ¹ / ₂ a	119 ¹ / ₁₆	116	10 ¹ / ₂ b	5 ¹ / ₂ a	5 ¹ / ₂ a	119 ¹ / ₁₆	116	10 ¹ / ₂ b	5 ¹ / ₂ a	5 ¹ / ₂ a
87 ¹ / ₁₆	78 ¹ / ₁₆	Savings Bonds 3½%.....1950-70	85 ¹ / ₁₆	85 ¹ / ₁₆	3 15 3	5 0 8	62 ¹ / ₂ b	49.1	9 ¹ / ₂ b	9 ¹ / ₂ b	9 ¹ / ₂ b	62 ¹ / ₂ b	49.1	9 ¹ / ₂ b	9 ¹ / ₂ b	9 ¹ / ₂ b	62 ¹ / ₂ b	49.1	9 ¹ / ₂ b	9 ¹ / ₂ b	9 ¹ / ₂ b
99 ¹ / ₁₆	90 ¹ / ₁₆	Conversion 5½%.....1971	99 ¹ / ₁₆	99 ¹ / ₁₆	3 4 0	5 4 0	429 ¹ / ₁₆ b	421	5 ¹ / ₂ b	5 ¹ / ₂ b	5 ¹ / ₂ b	429 ¹ / ₁₆ b	421	5 ¹ / ₂ b	5 ¹ / ₂ b	5 ¹ / ₂ b	429 ¹ / ₁₆ b	421	5 ¹ / ₂ b	5 ¹ / ₂ b	5 ¹ / ₂ b
105 ¹ / ₁₆	97 ¹ / ₁₆	Conversion 6½%.....1972	103 ¹ / ₁₆	103 ¹ / ₁₆	3 0 10	5 6 7	45 ¹ / ₂ b	37.6	5 ¹ / ₂ a	5 ¹ / ₂ a	5 ¹ / ₂ a	45 ¹ / ₂ b	37.6	5 ¹ / ₂ a	5 ¹ / ₂ a	5 ¹ / ₂ a	45 ¹ / ₂ b	37.6	5 ¹ / ₂ a	5 ¹ / ₂ a	5 ¹ / ₂ a
100 ¹ / ₁₆	91 ¹ / ₁₆	Conversion 5½%.....1974	98 ¹ / ₁₆	98 ¹ / ₁₆	3 5 0	5 7 1	54 ¹ / ₂ b	38.3	7 ¹ / ₂ b	7 ¹ / ₂ b	7 ¹ / ₂ b	54 ¹ / ₂ b	38.3	7 ¹ / ₂ b	7 ¹ / ₂ b	7 ¹ / ₂ b	54 ¹ / ₂ b	38.3	7 ¹ / ₂ b	7 ¹ / ₂ b	7 ¹ / ₂ b
90 ¹ / ₁₆	87 ¹ / ₁₆	Funding 4½%.....1960-90	89 ¹ / ₁₆	89 ¹ / ₁₆	3 17 9	4 16 4	61 ¹ / ₂ b	53.1	5 ¹ / ₂ b	5 ¹ / ₂ b	5 ¹ / ₂ b	61 ¹ / ₂ b	53.1	5 ¹ / ₂ b	5 ¹ / ₂ b	5 ¹ / ₂ b	61 ¹ / ₂ b	53.1	5 ¹ / ₂ b	5 ¹ / ₂ b	5 ¹ / ₂ b
79 ¹ / ₁₆	70 ¹ / ₁₆	Savings Bonds 3½%.....1955-75	77 ¹ / ₁₆	77 ¹ / ₁₆	3 18 1	5 0 1	61 ¹ / ₂ b	53.1	5 ¹ / ₂ b	5 ¹ / ₂ b	5 ¹ / ₂ b	61 ¹ / ₂ b	53.1	5 ¹ / ₂ b	5 ¹ / ₂ b	5 ¹ / ₂ b	61 ¹ / ₂ b	53.1	5 ¹ / ₂ b	5 ¹ / ₂ b	5 ¹ / ₂ b
79 ¹ / ₁₆	69 ¹ / ₁₆	Treasury 3½%.....1977-80	76 ¹ / ₁₆	76 ¹ / ₁₆	3 16 5	5 8 7	27 ¹ / ₂ b	20.1	14 ¹ / ₂ b	14 ¹ / ₂ b	14 ¹ / ₂ b	27 ¹ / ₂ b	20.1	14 ¹ / ₂ b	14 ¹ / ₂ b	14 ¹ / ₂ b	27 ¹ / ₂ b	20.1	14 ¹ / ₂ b	14 ¹ / ₂ b	14 ¹ / ₂ b
78 ¹ / ₁₆	68 ¹ / ₁₆	Treasury 3½%.....1979-81	75 ¹ / ₁₆	75 ¹ / ₁₆	3 16 6	5 8 7	16 ¹ / ₂ b	10.6	21 ¹ / ₂ b	21 ¹ / ₂ b	21 ¹ / ₂ b	16 ¹ / ₂ b	10.6	21 ¹ / ₂ b	21 ¹ / ₂ b	21 ¹ / ₂ b	16 ¹ / ₂ b	10.6	21 ¹ / ₂ b	21 ¹ / ₂ b	21 ¹ / ₂ b
100 ¹ / ₁₆	90 ¹ / ₁₆	Funding 5½%.....1982-84	97 ¹ / ₁₆	97 ¹ / ₁₆	3 17 9	5 5 1	61 ¹ / ₂ b	53.1	5 ¹ / ₂ b	5 ¹ / ₂ b	5 ¹ / ₂ b	61 ¹ / ₂ b	53.1	5 ¹ / ₂ b	5 ¹ / ₂ b	5 ¹ / ₂ b	61 ¹ / ₂ b	53.1	5 ¹ / ₂ b	5 ¹ / ₂ b	5 ¹ / ₂ b
91 ¹ / ₁₆	82 ¹ / ₁₆	Treasury 5½%.....1986-89	88 ¹ / ₁₆	88 ¹ / ₁₆	3 11 6	5 12 7	62 ¹ / ₂ b	53.1	5 ¹ / ₂ b	5 ¹ / ₂ b	5 ¹ / ₂ b	62 ¹ / ₂ b	53.1	5 ¹ / ₂ b	5 ¹ / ₂ b	5 ¹ / ₂ b	62 ¹ / ₂ b	53.1	5 ¹ / ₂ b	5 ¹ / ₂ b	5 ¹ / ₂ b
84 ¹ / ₁₆	74 ¹ / ₁₆	Redemption 3½%.....1986-96	82 ¹ / ₁₆	82 ¹ / ₁₆	3 15 4	5 7 3	43 ¹ / ₂ b	35.8	12 ¹ / ₂ b	12 ¹ / ₂ b	12 ¹ / ₂ b	43 ¹ / ₂ b	35.8	12 ¹ / ₂ b	12 ¹ / ₂ b	12 ¹ / ₂ b	43 ¹ / ₂ b	35.8	12 ¹ / ₂ b	12 ¹ / ₂ b	12 ¹ / ₂ b
68 ¹ / ₁₆	56 ¹ / ₁₆	Funding 3½%.....1999-2004	66 ¹ / ₁₆	66 ¹ / ₁₆	3 13 5	5 10 3	18 ¹ / ₂ b	13.3	4 ¹ / ₂ b	4 ¹ / ₂ b	4 ¹ / ₂ b	18 ¹ / ₂ b	13.3	4 ¹ / ₂ b	4 ¹ / ₂ b	4 ¹ / ₂ b	18 ¹ / ₂ b	13.3	4 ¹ / ₂ b	4 ¹ / ₂ b	4 ¹ / ₂ b
95 ¹ / ₁₆	84 ¹ / ₁₆	Treasury 5½%.....2008-12	95 ¹ / ₁₆	95 ¹ / ₁₆	3 11 8	5 16 3	14 ¹ / ₂ b	10.2	10 ¹ / ₂ b	10 ¹ / ₂ b	10 ¹ / ₂ b	14 ¹ / ₂ b	10.2	10 ¹ / ₂ b	10 ¹ / ₂ b	10 ¹ / ₂ b	14 ¹ / ₂ b	10.2	10 ¹ / ₂ b	10 ¹ / ₂ b	10 ¹ / ₂ b
69 ¹ / ₁₆	58 ¹ / ₁₆	Consols 4½%.....after Feb. 1957	67 ¹ / ₁₆	67 ¹ / ₁₆	3 11 4	5 16 11	44 ¹ / ₂ b	30.6	8 ¹ / ₂ b	8 ¹ / ₂ b	8 ¹ / ₂ b	44 ¹ / ₂ b	30.6	8 ¹ / ₂ b	8 ¹ / ₂ b	8 ¹ / ₂ b	44 ¹ / ₂ b	30.6	8 ¹ / ₂ b	8 ¹ / ₂ b	8 ¹ / ₂ b
62 ¹ / ₁₆	52 ¹ / ₁₆	War Loan 3½%.....after 1952	60 ¹ / ₁₆	60 ¹ / ₁₆	3 9 9	5 14 8	51 ¹ / ₂ b	42.4	14 ¹ / ₂ b	14 ¹ / ₂ b	14 ¹ / ₂ b	51 ¹ / ₂ b	42.4	14 ¹ / ₂ b	14 ¹ / ₂ b	14 ¹ / ₂ b	51 ¹ / ₂ b	42.4	14 ¹ / ₂ b	14 ¹ / ₂ b	14 ¹ / ₂ b
100 ¹ / ₁₆	90 ¹ / ₁₆	Conv. 3½%.....after Apr. 1961	98 ¹ / ₁₆	98 ¹ / ₁₆	3 10 5	5 14 11	34 ¹ / ₂ b	22.6	14 ¹ / ₂ c	14 ¹ / ₂ c	14 ¹ / ₂ c	34 ¹ / ₂ b	22.6	14 ¹ / ₂ c	14 ¹ / ₂ c	14 ¹ / ₂ c	34 ¹ / ₂ b	22.6	14 ¹ / ₂ c	14 ¹ / ₂ c	14 ¹ / ₂ c
52 ¹ / ₁₆	44 ¹ / ₁₆	Treasury 3½%.....after Apr. 1966	51 ¹ / ₁₆	51 ¹ / ₁₆	3 10 7	5 15 27	15 ¹ / ₂ b	11.0	td												

BANK OF ENGLAND RETURNS

Government debt is £11,015,100, capital £14,553,000.
Fiduciary issue reduced by £50 million to £2,328 million
on September 12th.

On September 14th tenders for 91 day bills at £99 1s 6d secured 44 per cent, higher tenders being allotted in full. The offer for this week was for £250 million 91 day bills. † Allotment cut by £10 million.

Price (s. d. per fine oz.)	250/11½	251/0	...	250/10½	250/11	250/11½
" (\$ per fine oz.)	35.14½	35.15		35.13½	35.13½	35.13½

(7) 25,000 workers had wage cuts in November, 1955 quarter. (10) Using the revised retail price index

(¹) For a rough conversion to basis of June, 1947, multiply throughout by 1.534. (²) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (³) For a rough conversion to basis of June, 1947, multiply throughout by 1.561. (⁴) In general males under 21 and females under 18 years of age. (⁵) Weekly earnings are surveyed in April and October. April figures are: Men, 1960 : 282s. 1d.; 1961 : 301s. 4d.; 1962 : 312s. 10d. Women (full time), 1960 : 145s. 0d.; 1961 : 152s. 7d.; 1962 : 157s. 2d. Youths (under 21), 1960 : 123s. 1d.; 1961 : 135s. 9d.; 1962 : 141s. 3d. Girls (under 18), 1960 : 93s. 1d.; 1961 : 99s. 11d.; 1962 : 104s. 6d. (⁶) 18,000 workers had a net decrease in wages over the year. (⁷) 1961 no worker had a net decrease. (⁸) Index of building costs. (⁹) Average for second quarter. (¹⁰) 25,000 workers had wage cuts in November, 1961, but over the whole of 1961 no worker had a net decrease. (¹¹) August, 1961 : 101.6. (¹²) Revised figures from 1961. (¹³) Average for third quarter.

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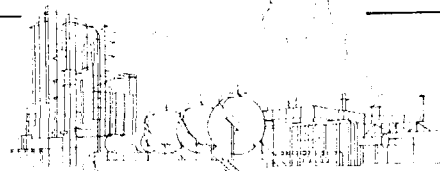
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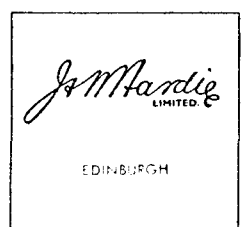
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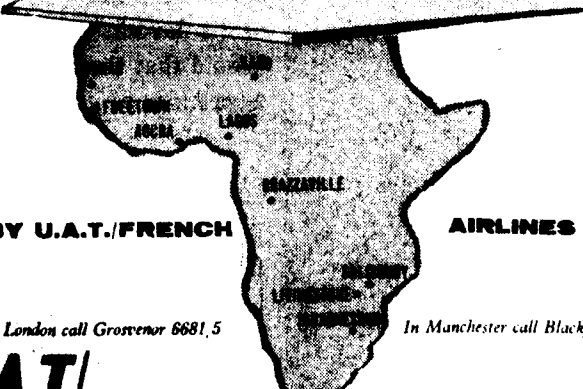
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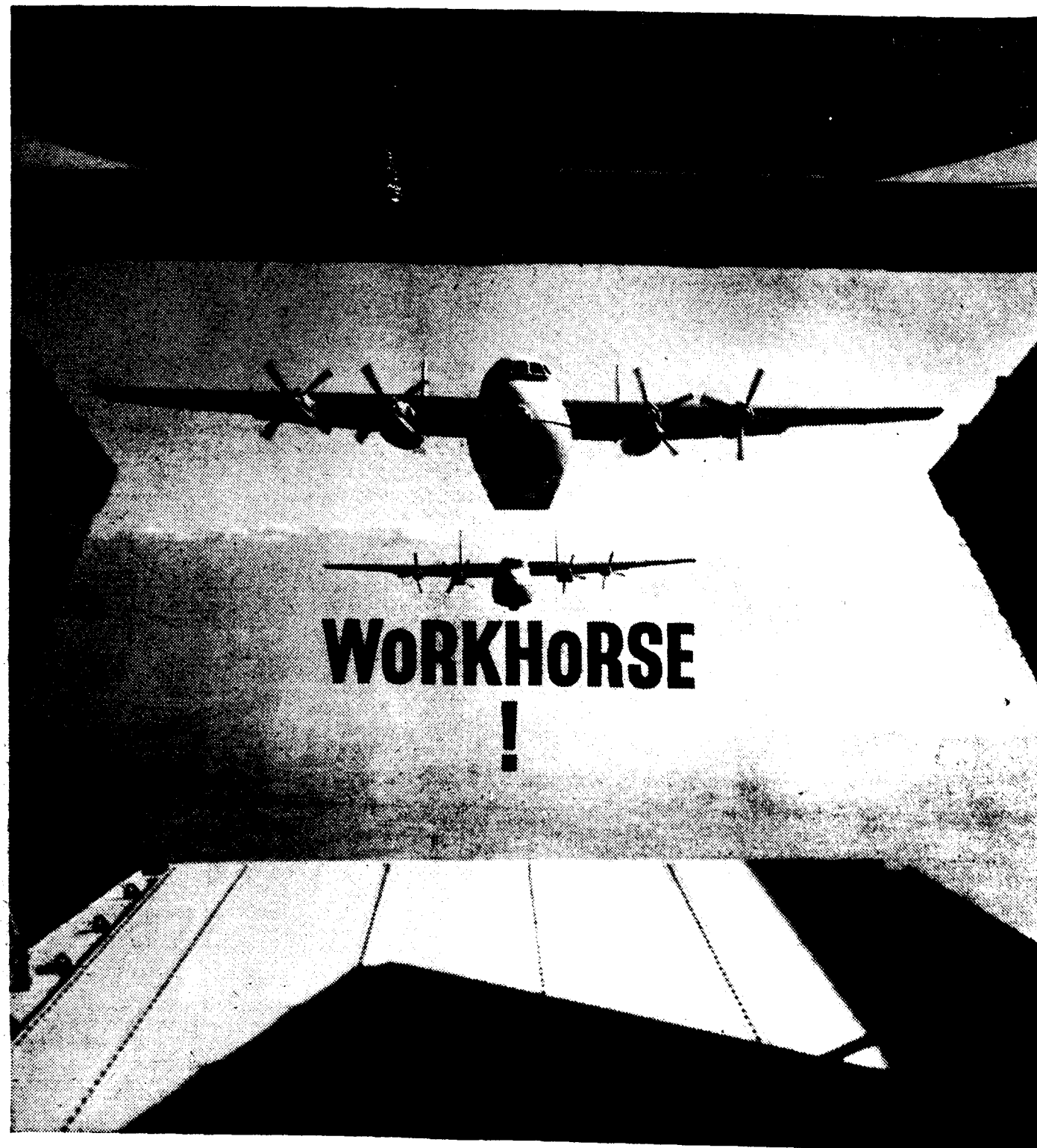
QUIETER WATERS

Not all this vast production goes to industry. Some flows into the quieter waters of education, where in the form of textbooks, reference works and writing paper, it helps to form the minds of scholars such as Nicholas Smith (above) of St. Edward's School, England, 'The World, The Galaxy, The Universe'.

*One more point about textiles. In combination with Lantor Ltd., an associate of the Tootal Group, Reed have set up a company called Aerlan Ltd. to develop the production of fabrics by the paper-making process—fabrics that need no weaving.



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The Economist this Week September 29, 1962

INTERNATIONAL

CAESARS AND THE PEOPLE

France's political future will remain insecure so long as both General de Gaulle and the politicians of the Fourth Republic continue to thumb noses at each other (p. 1169).

The new Algeria has chosen a parliament, but not, as yet, the rule of law (p. 1180).

Behind the puppet-show of military coup and counter-coup political passion in Argentina has been growing in intensity (p. 1176).

President Nasser is trying, gradually, to delegate authority and bring his government closer to the people (p. 1180).

Dr Nkrumah has learnt the hard way that Caesarism can rouse even moderate men to desperate thoughts (p. 1178).

STONY ROADS TO SOCIALISM

The Peking government, which once saw China's population explosion as its greatest

asset, is now struggling to contain it (p. 1175).

The Soviet decision to suspend the reduction of income tax reflects the growing burden of Russian defence (p. 1177).

REFLECTIONS OF EUROPE

Australians shrug off the Commonwealth conference, since they have for some time regarded British membership of the common market as unstoppable (p. 1199).

Mr Holyoake's moderation in London is widely accepted in New Zealand, but he could be unseated as prime minister if New Zealand does get a raw deal in Brussels in coming months (p. 1199).

While the Swiss are opening negotiations for association with the common market, Mr Heath is preparing the ground for his next round in Brussels (p. 1177).

The Russians are recognising that the common market represents a change in the facts of power which they must learn to live with (p. 1200).

SIR EDGAR'S STORE OF TROUBLE

In Southern Rhodesia, Sir Edgar Whitehead has won a tactical success over Mr Nkomo, the African leader, but the ban on the African nationalist party is storing up trouble for the future (p. 1176).

KENNEDY AND THE JUSTICES

The United States Supreme Court is certain to write history this term (p. 1191).

The racial clash in Mississippi may prove the American South's last big stand (p. 1192).

The candidates for Governor of the key state of Pennsylvania have much in common (p. 1193).

The American Congress has granted steel a respite from one of many problems (p. 1192).

The way has been cleared for the world's biggest generator of electricity from atomic energy (p. 1194).

HOME

BALANCE SHEET

The true test of British political positions is the politicians' attitude to change: the present reckoning (p. 1171) displays a pains-taking radicalism among the Liberals, the dead conservatism of the Socialists and the tentative liberalism of the Conservatives.

Pride in the dollar is inhibiting Americans from walking the most direct path to improving the world's monetary mechanism: they may be too optimistic in looking for aid from a new financial force in Europe—when (and if) Britain joins the common market (p. 1215).

The Ministry of Labour, hedging itself about with "buts," has made a guess at the size and shape of Britain's working population ten years hence (p. 1221).

BALANCING ACT

The agenda for the Conservative Conference at Llandudno next month foreshadows legislation on employer-employee relations and on housing (p. 1176).

Orangemen and Hibernians in Ulster have taken the first step towards a resolution of their historic vendetta (p. 1185).

The Rochdale committee wants to float yet another semi-governmental authority to supervise the docks (p. 1222).

Photosetting will not change a rather hide-bound printing industry overnight (p. 1216).

The school examination system, too much relied upon by parents and employers, is itself coming in for examination (p. 1181).

OVERBALANCING

The elevation of a Conservative MP to high law office in Scotland leaves his seat a fairly safe bet for Labour—and confers some additional unlooked-for advantages on the Opposition, too (p. 1181).

Britain's unsummer was not entirely unexpected by meteorologists, but the old sawyers did better than usual (p. 1182).

A special plea for full Government subsidisation of uneconomic bus services in Wales should not be admitted by the Treasury (p. 1182).

FOUND WANTING

Britain faces disruption next week without notable hostility towards the resentful disrupters—the railwaymen on whom Dr Beeching's blows fall so heavily: in the face of the Transport Commission's (and the Government's) compensatory gestures, their resentment is not wholly misconceived (p. 1174).

It may be difficult to define useful ways of dealing with young girl offenders: but a new detention centre for them is quite clearly not one of them (p. 1178).

As the Americans leave one of their bases, surrounding Englishmen are covetously quarrelling about what to do with what they leave behind them (p. 1189).

Detailed contents on page 1169

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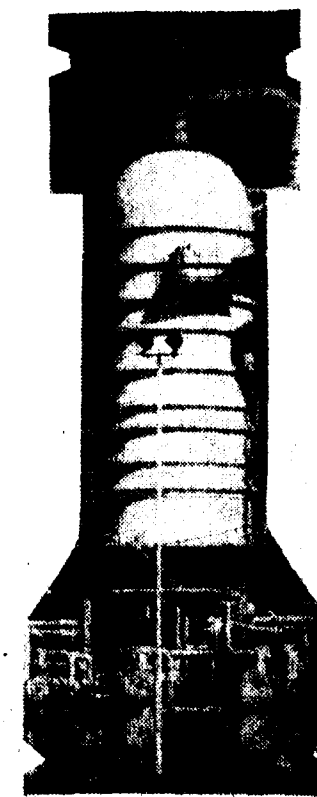
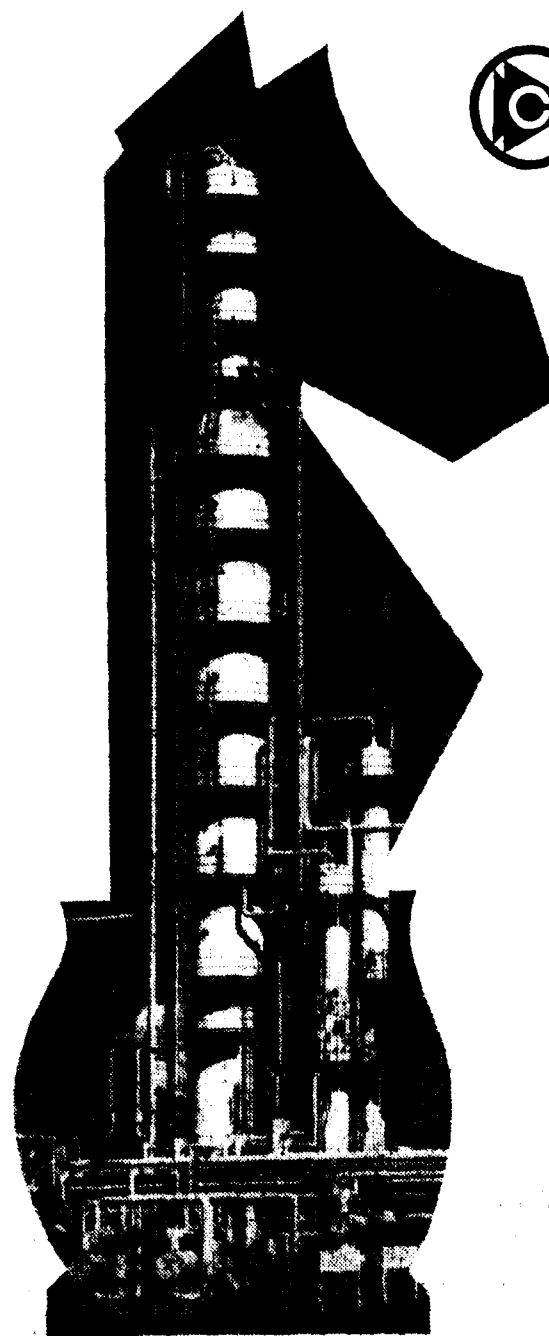
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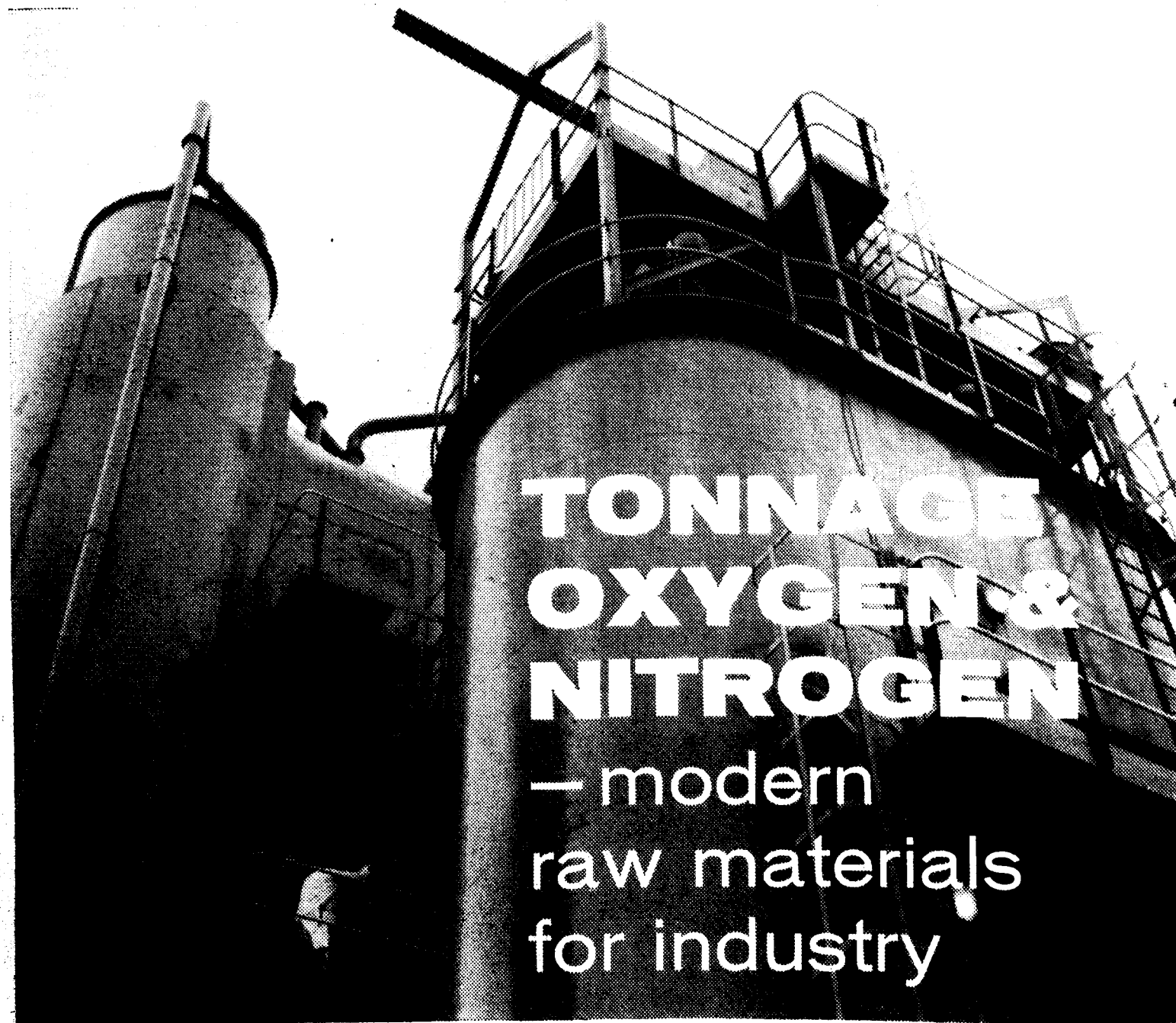
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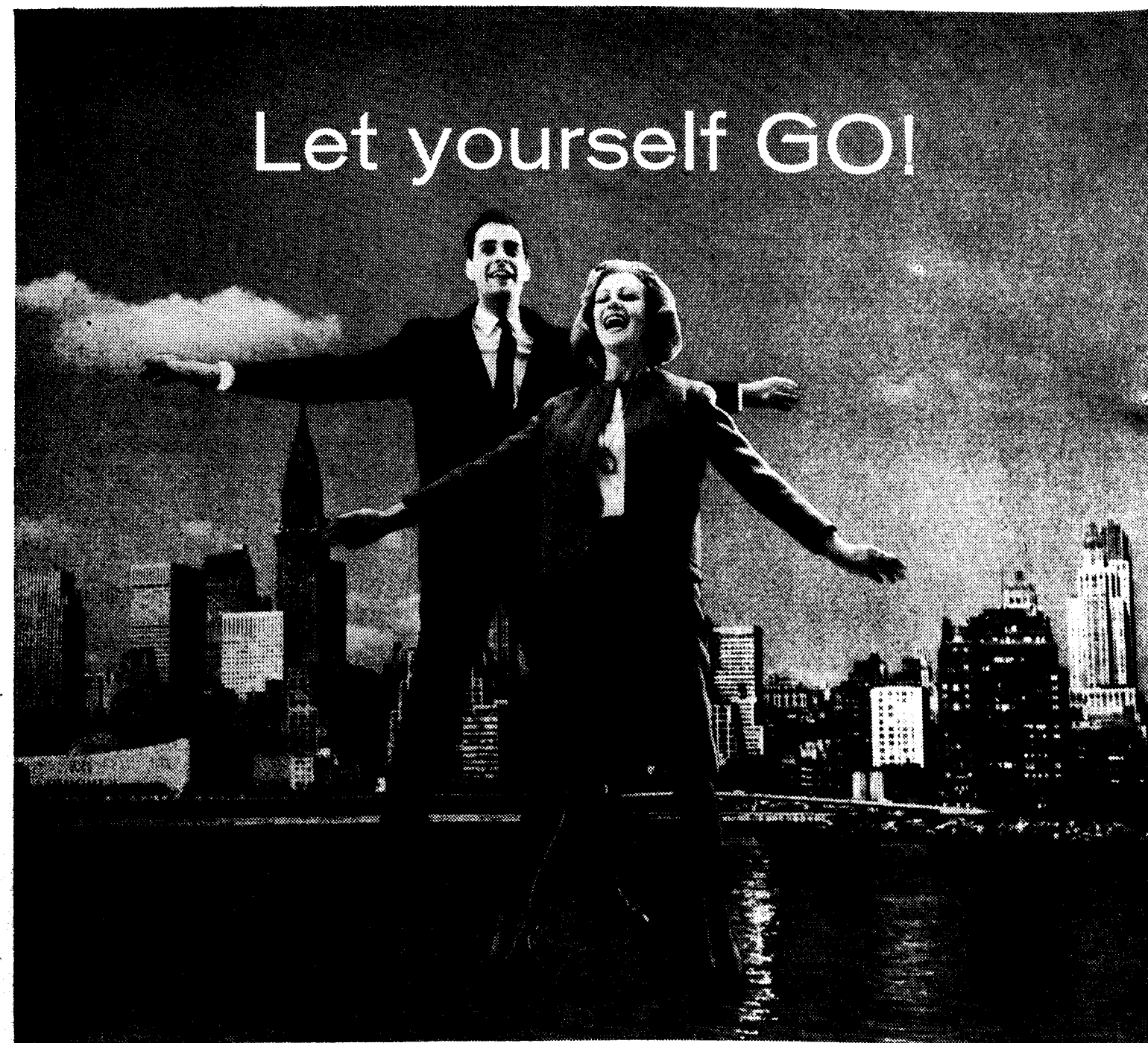
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The Economist

SEPTEMBER 29, 1962

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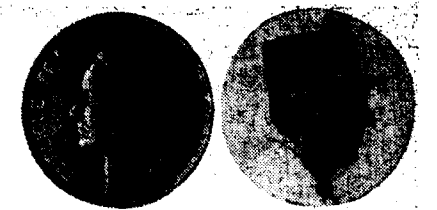
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Les Jeux Interdits

“THOSE sterile games of the past,” says General de Gaulle, dismissing the politics of pre-gaullist France in a single disdainful phrase. Amen, most Frenchmen will quite possibly reply; and the general is plainly trusting that their distaste for the old order will sweep them once more through the referendum booths with a Yes for his latest addition to the new order. But the general is not being quite straight with his countrymen. His proposal that future presidents shall be elected by direct popular vote—approved in principle by his cabinet on Wednesday, not without qualms by some members—amounts to considerably more than just a consolidation of the system of government adopted by France four years ago.

That system, heaven knows, has been bent and strained enough in the past four years. Its creator has gradually adapted it to his purposes in ways quite unforeseen by most Frenchmen who in September, 1958, sick of the Fourth Republic and terrified of the paratroopers' alternative, were wholly happy to clutch at the general bag and baggage, constitution and all. But the system will have been twisted into a different shape altogether if the new proposal goes through. The presidential figure who four years ago was supposed to be France's indirectly elected and therefore still to some extent circumscribed “arbitrator” (article 5 of the constitution) will have been replaced by a directly elected leader who (in General de Gaulle's words on September 20th) “inspires, orients and animates the nation's activities” and “takes all important decisions.” This is quite a difference.

Scornful of other people's political games, the general is setting up the rules for an equally dubious game of his own: the *jeu divin du héros* he wrote about in “The Edge of the Sword.” There are two main dangers in the hero-size part he intends the chief executive of France to play. He may quite possibly be entirely right to insist that in the modern world it is necessary for the head of government to have greater powers than France has usually been willing to grant its leaders. But the comparisons he draws with the United States and Britain are revealing—in a sense he did not intend. The gaullist chief executive will be a far more powerful figure than the President of the United States; and it is unlikely, given the present division of party loyalties in France, that his election will provide the voters with the meaningful choice that British and American voters enjoy. Both the extent of the chief executive's powers, and the relationship of these powers to public opinion, thus give cause for concern.

Very few people would claim that the present balance of power between President and Congress in the United States is ideal; but nobody suggests tilting it in favour of the executive branch, and against the legislative, as sharply as General de Gaulle is tilting it in France. A French president comes to office armed with powers to dissolve the legislature if it opposes him, and to suspend the constitution in a crisis—neither of which President Kennedy possesses. Moreover, France being a unitary state, there is no equivalent of the federal system which in the United States provides a vast series of local counterweights to the power of the central government.

On top of this accumulation of authority General de Gaulle now proposes to add direct election of the president. Direct election, plus the semi-royal glamour that attends heads of state, but minus the checks the Americans have set around their chief executive, is a formula to make moderate men tremble. Imagine

what President Kennedy might have done in the last twenty months, with the thrust of his (narrow) election victory behind him, if he had been able to exploit his personal popularity by resort to referendum—or if he could have dismissed Congress when it rejected his Department of Urban Affairs last spring. Mr Kennedy's programme would have gone with a swing. But would people still be calling the United States a democracy?

General de Gaulle, looking for another model, may say that British prime ministers can do pretty well what they like, by virtue of their control over the majority in the House of Commons. The short answer is that a British prime minister sits face to face in the Commons with the leader of what the voters know is (or hope is) an alternative government. Here is the second reason for worrying about the shape of things to come in France. No such simple choice between democratic alternatives is likely to present itself to the French electorate in a presidential election.

Given the voting habits of Frenchmen since the war, the first ballot is likely to split the poll between half a dozen candidates, with the communist at the top or at least in second place. If the field were then reduced to two (to make sure that the man finally elected had a majority behind him) the eventual choice would probably lie between the communist and some such conservative figure as M. Pinay. Quite apart from the mental agonies this would cause to some non-communist radicals, the point is that for most people it would really be no choice at all. General de Gaulle would have succeeded in translating Hobson's choice into French. The alternative, to let three candidates into the final round, might give democrats a choice. But the enormous objection is that then the eventual winner—the man to be equipped with all that panoply of power—might have only a minority of the country behind him.

IT is easy enough to point out the dangers in General de Gaulle's plan. Eager fingers are busily doing so in Paris right now. But the current debate in Paris calls for another comment—not about the general's proposal, this time, but about the response of his opponents in parliament. It is perfectly understandable that these representatives of the old order should have been reduced to total exasperation with General de Gaulle and all his works. The general, having jollied the country into adopting the Fifth Republic four years ago on the basis of love me, love my constitution, is now bent on converting that constitution into what can only be described as the Fifth-and-a-half Republic. He is doing so by means that are pretty clearly unconstitutional (the referendum on changing the system of presidential election); and it is plain that he is not going to be diverted from his goal by anybody's protests. This is part of his systematic campaign to humiliate, and thus weaken, the traditional parliamentary forces in France.

The parliamentary parties, their patience snapping, may be tempted to retort that henceforth they reject gaullism root and branch; that they are simply going to bide their time until the general's system of government can be replaced by a new and better one—in other words, by a more democratic Sixth Republic. This is tempting, but it would most probably be a mistake, for a number of reasons.

It is not simply that the prospect of yet another change

in the French system, the third since the war, would bring groans from France's friends, and giggles from people (in England anyhow) who always said the Frogs couldn't run a country. It might also provoke the one thing the politicians ought to be trying to avoid above almost all else—the intervention of the French army. The army's interest in politics might reasonably be expected to slacken, now that Algeria has gone, unless it sees some presumed new threat to its interests on the political horizon. The possibility of a radical constitutional reform is just the kind of thing to raise it on its haunches, growling.

THERE is also another, more subtle, reason why it might be a mistake for the politicians to play the game of Let's Make Constitutions. General de Gaulle has already succeeded to a quite remarkable extent in cutting off the parliamentary parties from the political life of the country. He has been aided by ingrained French habits of mind (what other nation would mark off one segment of itself as *la classe politique* ?); but he has exploited them brilliantly. Realising the irritation that most Frenchmen had come to feel for the parliamentary system by 1958, he has used the technique of the referendum to by-pass parliament and conduct his business directly with "the real country." The result is that the traditional organs of public opinion—the parties, the trade unions, most of the newspapers—give the impression of having been severed from the main political torso. Their mouths open and shut, but the life-force no longer courses into them.

In the long run, this could be disastrous for France; cutting off a chicken's head is bad for the chicken as well as for the head. But it might well be the parties that die first. If General de Gaulle maintains his system for a few more years—and if *la classe politique* ostentatiously turns its back on gaullism during that time—the parties may find that they have lost contact with the country for good and all.

Admittedly, whether the parties can regain contact is not entirely up to them. The general's aim is precisely to exclude them from his dialogue with France—and he has the means to stop them getting more than a word in edgeways. But if the dialogue is ever again to become a real three-way conversation (and it should) the parties cannot afford a back-turning attitude now. They must realise that the changes General de Gaulle has wrought in France since 1958 correspond to some extent (no more than that) to the wishes of large numbers of Frenchmen. A return to parliamentary supremacy as the Fourth Republic knew it is no longer a serious proposition.

This is not to say that the gaullist system of government ought to remain wholly unchanged, if and when changes become possible. Far from it. Some reassertion of parliament's rights is undoubtedly necessary. Just how much reassertion, and by what means, is hard to tell at the moment; most people would think that if the French president keeps most of his present powers, he ought at least to be balanced by a parliament he cannot dissolve. The point is that the pre-gaullist political forces will have to come to terms with some of the habits and practices that General de Gaulle has stamped on to French political life. The sort of system that France's well-wishers would like to see a few years hence is neither an extension of the general's present course nor a complete reversal of it. Either of those extremes would be, in the general's phrase, a game unconnected with the country's real needs.

Change is Our Chance?

The three short articles below take a quick comparing look at the current state of mind—and will—of the three British political parties at this season of stocktaking in their annual conferences. Notoriously the three groups into which politicians, and conspicuously British politicians, naturally fall do not coincide with the party frontiers. The right, relevant test is their attitude to change.

There are those, generally in a majority, to whom change is always an enemy to be resisted; these are, in all the parties, the conservatives, forever looking back over their shoulders—the pillars of salt. (Mr Gaitskell's meticulously televised reasons for not deciding about Europe were of the sort that would prevent anybody from ever deciding anything.)

At the other extreme, but just as conventional, there are the foolish virgins who welcome all change everywhere as a friend and despise as sophistries all the prudential calculations of economists or diplomats; their habitat is on the fringes of the conservative Labour Party though they have been found nesting, too, among Liberals.

The future of Britain depends on whether, among its political leaders in the next years whatever their party, the third group will prevail. These are those to whom change is a chance and a challenge, to be faced and used with courage and acumen and resolution, so that by its own bold and selective self-adaptation, by its propensity for innovation and its capacity for decision, Britain can earn its place and say in the new twentieth century world. What are the chances of the parties taking the chance?



Liberals Afire

THE Liberal Assembly at Llandudno last week made something that looked suspiciously like a real psychological breakthrough. The assembly succeeded in convincing the press and television that it was to be taken seriously. This was partly due to luck. The one thing about contemporary Liberals that most people know is that they were the first party to come out in favour of British entry to the common market. They were lucky, then, to be holding their conference when the common market was the big issue of the hour, and when Mr Grimond could be given the chance of a national audience on television immediately after the Prime Minister's message to the country and Mr Gaitskell's expression of nostalgia to it. Skilful management of the conference by the Liberal leaders was equally important. Great efforts were made to see that nobody appeared in the limelight whose mien or views might conceivably mar the youthful Liberal image, efforts which most of the delegates were more than willing to accept. This was even carried to the ill-judged extreme of excluding Lady Violet Bonham Carter, still the most brilliant and accomplished speaker in the Liberal stable, from the televised common market debate.

But management in politics is not enough. The Liberal

Assembly got through to more people because it has finally acquired a distinct and definite character of its own. Few traces of the old individualism remain. In its place is a new non-doctrinaire radicalism intent on airing prospective "solutions" for the great problems of British domestic life, industrial relations, town and country planning, housing and consumer choice.

Sometimes the new image was not entirely successful. To treat the word "radical" as though it were some magic totem, capable of masking an intellectual void, is admittedly not enough. The Liberals' confusion in their two worst debates—on putting workers' representatives on to boards of directors, and on transport—showed how much tough, hard thinking remains to be done. For the first time, however, Llandudno suggested that the party may have some of the men and women to do it. With the nascent radicalism has come a new race of Liberal leaders: managers, professional men, executives, less attractive perhaps than the old high-principled Gladstonians, but many of them, compared with Liberal assemblies of even two or three years ago, infinitely more effective and contemporary.

On the common market the Liberal response was clear. The temptation to cash in on Commonwealth sentiment was rejected, and although the party shied away from federalism (after *The Times* had accused it of it), the political commitment to Europe was accepted with enthusiasm. Mr Bonham Carter's speech calling for close political links with Europe had a note of authority and realism which has not been heard at a Liberal conference for many a year. Mr Grimond's closing address made a direct appeal to the nation which may well have exercised a sharper effect on those, outside his



party, who are shivering on the European brink than did the Prime Minister's own telecast.

Whether the psychological breakthrough will be followed by a political breakthrough is yet uncertain. The Liberal danger is that what Mr Grimond says today Mr Macmillan will be saying tomorrow. Mr Grimond may thus be playing an important national role in acting as pacemaker to the Prime Minister, but the immediate political dividends for Liberals could be small. What Mr Grimond's eyes are now presumably fixed closely upon is the radical wing of the Labour party whose position every day is becoming more intolerable by Mr Gaitskell's espousal of the anti-European cause. They are now the real hope of a genuine Liberal revival. Mr Grimond made it clear in the closing passages of his speech to the Liberal Assembly that in his view a Liberal millennium is not just around the corner. He has returned to this theme since.

What he hopes for in private, but obviously cannot say in public, is that the millennium may be round the next corner but one, the corner being the return of a Tory government with a working majority for a fourth term of office. If that happens, then during the next Parliament an even more substantial number of anti-Government and anti-Labour floaters may well come over to his cause. If Labour returns to office, most anti-Labour-government floaters during the next Parliament would probably go straight over to the Tory opposition.

Meanwhile the Liberals will have a reasonable period to work out in principle and in detail the implications and applications of their new leftward drive. If they get down to it, the worst that can happen to them will be that they will have experienced the intellectual discipline of an admittedly sometimes erratic graduate seminar in economics and politics. The best, from their point of view, is that they might be ready to snatch the opportunity of real political power, which for the first time since the war looks as if it might just conceivably come.

Labour's Old Frontier

Labour's conference at Brighton next week will be a sad affair for those who a few months ago were feeling most optimistic about the new mood in the party: the young men, including a healthy crop of young new Labour MPs from recent by-elections, who had looked to Mr Gaitskell to stamp a Kennedyite image on the Labour party, poised to lead Britain forward to new frontiers. Now, on the most important issue of the day, Mr Gaitskell is no longer looking forward towards new frontiers. He is looking back nostalgically on to a thousand years of history instead.

In a sense, the conference at Brighton looks like being the opposite of that at Scarborough two years ago. Then everybody was anxiously counting conference votes which did not really matter, and all the newspapers said (quite

falsely) that Mr Gaitskell's position had been irreparably weakened by losing them. Now Mr Gaitskell will be able to win virtually any conference vote he wants, but largely because his opponents from Scarborough days will now be his most enthusiastic supporters in his stand against the common market. By the end of next week most newspapers, having noted the (probably totally ineffective) showing that the pro-common market group will have made at Brighton, may well be saying that Mr Gaitskell has immensely strengthened his position within his own party. One's guess is that the reverse may really be true. For those who will form much of Mr Gaitskell's bodyguard at Brighton will be those who do not love him, and on whom it is very dangerous for him to come to rely; while those who are likely to have been repelled by him represent groups in the country who could conceivably drift away in disappointment into supporting the Liberals or the Tories (which the repulsed left wing at Scarborough never could).

There are three ways in which Mr Gaitskell could handle this situation. A politician with the hide of a rhinoceros might now effectively play his new friends off against his old ones. Having adopted one of the policies favoured by his old enemies, he might now seek to put more of his old pro-European friends into higher party offices in his shadow cabinet around him, or at least to act almost ostentatiously at Brighton in cementing his former close social contacts with them. That is the way that Mr Attlee or Mr Macmillan would probably have operated. But Mr Gaitskell has not got the hide of a rhinoceros; one has a ghastly vision of him wandering round the hotel corridors at Brighton, amid the debris of old alliances and the lengthening prison house shades of some very strange new alliances, all the time wearing that familiar harrowed look on his face.

The second card he could play would be to try to make his policy look less anti-European at Brighton than it looked on television last week. Probably he will attempt to do this. If a flatly anti-common market resolution is put forward at Brighton, he will presumably ask that it be referred back to the executive; if it is not referred back, he may then ask that the conference vote against it. His argument will be that Labour says that it would be right to join the common market on terms that were improved, but not on the terms that are now available. As the terms that are now available are, in broad outline, the only ones likely to become available, this would be double-talk. It may be true that double-talk is in the best tradition of Labour conferences in recent years, but there will now be one essential difference. While previous essays in double-talk at Labour conferences have been designed to pave the way for the party to move towards more liberalism eventually, this year's dose would be designed to force the party to take an anti-liberal stand in a few weeks' time. It will not make the pro-Europeans feel much happier.

Mr Gaitskell's third card will be to appeal to loyalty and self-interest. Here he has had an important relief in the past week. Last week, commenting upon the first public opinion poll after Marlborough House, taken in the by-election constituency of Chippenham, *The Economist* opined that there seemed to have been a swing back to the Conservatives within the country. This week, the nationwide Gallup poll, reported in the *Sunday Telegraph*, does not bear out that conclusion. It reports that there does indeed seem to have been some

swing back of opinion in favour of the common market (44 per cent would now approve of any decision by Mr Macmillan to join it, and only 32 per cent would disapprove), but declares that in any immediate general election Labour would still have a nine or ten point lead over the Conservatives (40½ per cent of those polled say they would vote Labour, 31 per cent Conservative, 19½ per cent Liberal). There are signs that the line which some Labour propagandists want to plug now is that the common market is a big industrialists' ramp, which will threaten cloth-capped British workmen in less efficient industries with greater insecurity in their jobs; in a time of moderate economic recession that line might conceivably have some effect. But merely to mention it is to show the long-term dangers that Mr Gaitskell has now embraced. Although next week's conference at Brighton looks like being the easiest he has ever had to face in terms of conference votes, it may also be, for the long term, the most crucial he has ever experienced. For what he has to see at Brighton is that, on many other matters beside the common market, Labour's caravan, scared by hostile Indians, is not now to turn itself away from the new frontiers. His attitude on this one issue has involved him in a real danger of sending Labour on the long trek back towards all the shrunken old battlements of class consciousness and timorous protectionism and pre-1960 attitudes from which he was once supposed to be destined to lead it.



Conservatives' Dampened Squib

THE Conservative leaders' initial tactics for their conference at Llandudno the week after next—or so at least it seems from the agenda published on Tuesday—is to try to steer the party back to the sort of politely muffled assembly from which it got away at Brighton last year. Emphasis in the motions selected by the party managers for debate is on congratulation rather than criticism, and they are phrased in such comprehensive terms that it will be difficult for many people to vote against any of them.

The important thing is that, on the common market, the party leaders look like getting away with this. By the time that these motions were tabled (any time up to mid-August) at any rate, the widely predicted revolt against Europe by Conservative backwoodsmen simply had not occurred; most Conservative associations seem to be remarkably unmoved by the subject. Only 31 resolutions had been tabled on the market (compared with 59 on taxation, 51 on economic policy and 43 on industrial relations). Far from being overwhelmingly hostile, nearly half of the 31 are explicitly in favour of Britain's entry into Europe, with only rather vague lip service being paid to the Commonwealth and agriculture. Twelve are more qualified, but only four Conservative constituency associations in the whole country are shown as openly hostile. The common market motion selected for debate is in the most

general terms, welcoming "the progress being made in the Brussels negotiations," expressing "confidence in the Government's determination to find adequate safeguards for our special interests," and expressing hopes for "a successful outcome" for Mr Heath. Probably the anti-market forces will seek to move an amendment to this motion, but they may then be put into the position of seeming to the middle group of delegates to be rather extremist cads.

The party leaders are plainly hoping that any anti-market revolt will therefore be defeated on that Thursday morning by a thumping majority on a show of hands, and that the way will then be prepared for Mr Macleod and Mr Macmillan to round off the conference by proclaiming the coming march into Europe as an advance to revived national greatness. Mr Macleod is to have his chance of a Gettysburg address on the Friday evening in response to a debate on Conservative principles, while the Prime Minister will be addressing the usual mass meeting on the Saturday afternoon. Mr Macmillan's speech then could conceivably—possibly, even, more than conceivably—raise the Llandudno meeting from mediocrity into one of the great conclaves of the party.

WHETHER Mr Macmillan pulls off this emotional *tour de force* may depend on the mood generated during what has gone before. A Conservative conference's agenda usually deserves to be studied to pick out any hints about what might be contained in the next Queen's speech. There seem to be only two such hints this year—about the Tories' so-called "industrial charter" and about housing; the steps that might be being envisaged here are discussed in a note on page 1176. Otherwise, the agenda seems to have been stage managed to avoid new pitfalls, rather than to arouse new fires. There is, for example, carefully to be no debate on any of the constituencies' motions calling for a royal commission or regulatory legislation about trade unions, although these motions are this year definitely again on the increase; nor, on the other hand, is the debate on incomes policy to have any specific reference to the "regrets" about the "apparent unfairness" of the last wages pause which several constituencies have filed.

In general, however, the constituency associations' dissatisfaction with the present state of the party, although fairly widespread, still seems to be pretty shadowy. It finds its most inchoate expression on the agenda in a repeated cry for a restatement of "true" Tory principles, and in an almost obsessional concern with party public relations; there are twenty motions on the agenda about public relations, to one of which Mr Deedes will reply in a debate that seems likely to fall pretty flat. One healthy sign is a marked diminution in the usual pathological shrieking for the return of corporal punishment. There are only twelve flogging resolutions on the agenda, the lowest number for many years; and unless one of them chances to be drawn out of the hat as one of the two "balloted" motions at the fag end of the conference, there will not even be a floggers' debate. On the eve of what some people had expected to be the biggest crisis in the Conservatives' history, and on the morrow of one of a Conservative prime minister's bravest-ever initiatives, the right wing of the party seems still to be in a remarkably deferential mood. And the progressive wing of the party is feeling much happier than it did a few months ago.

Doing without Railways

A key clinical test of change comes on the railways (as in the mines). Surgery there must be, for Britain's economic health and wealth, but proper after-care and rehabilitation, too

IF the National Union of Railwaymen were to do its homework on Dr Beeching's ominous maps, make its own guesses at which lines were going to be scrapped, and then stage a day or two's strike on all of these, it might do the country some service at its members' cost. The only trouble is that not many other people might notice.

Between such a propaganda demonstration for people who dislike what they fear the doctor has ordered (and these are many more than the railwaymen) and the day without railways that the NUR still plans to impose on Britain next week there bulks a large difference—that is, the railways that are not going to be closed down, except briefly on October 3rd. These, by definition, are the ones that people use, and will go on using. Between the insult and injury suffered by up to 100,000 railwaymen who during the next five years are going to have the jobs they have spent their lives in cancelled at the stroke of a pen, and the minuscule inconvenience in passenger and freight transport across the country that discarding their particular services will cause, there is no comparison. (Stop half the lines and you bother about 5 per cent of the passengers.)

"We'll show them," is a natural human reaction; and for men who feel rejected without recourse (the workshops are only a beginning) the impulse to strike out at everyone is understandable. Redundant railwaymen may not forfeit too much sympathy by the general inconvenience they will cause next week (on the unredundant lines) and Dr Beeching will very likely gain none at all. But nobody (including the members of the NUR executive, let alone its permanent officials) can imagine that the strike will have any effect on the programme of workshop redundancy.

The Transport Commission, for its part, is putting on a show of injured virtue. This, it says, is what comes of taking the unions into its confidence so early on in the programme (though the unions would deny that there was any real consultation) and offering the men, without being forced into it, what it calls "unprecedentedly generous terms" of compensation for losing their livelihood. This would be the more convincing if there were not signs that this process of letting the bad news trickle out in dribs and drabs, getting the men anxious and uncertain in a kind of softening-up process before the blow finally falls, has been coldly premeditated. (Were not those intimidating maps, issued virtually without comment, first stages in the same process for those passengers and freight customers whom the railways may also probably consider redundant?)

As for the compensation offered, this is not really, in absolute terms, very generous, though the responsibility for this cannot rest wholly upon the commission. It is somewhat more generous than the terms offered in the mines, or generally given in private industry (though there is no well-documented body of precedent to measure against). But the Government,

more than the commission, missed a chance here to recognise that much more rapid and widespread shifts in the fortunes of firms and whole industries, during the sixties, are likely and certainly ought to be a positive, and indeed an indispensable, advantage to British industry; and that the people who will bear the brunt of it will be those in formerly (and still apparently) safe jobs that will suddenly sink without trace. And as was said in these columns at the time, the once-for-all severance payments finally proposed on the railways, either in terms of equity or in terms of the likely annual savings to the railways (say £20-£30 million a year in the workshops alone), seemed, and still seem, pretty stingy. The surgery must happen for the railways', and the nation's, future economic good; but the patient must be cared for, and rehabilitated, better than this.

Dr Beeching was hired to do a job of industrial reorganisation, not one of public relations. No other man in the country seems better-qualified for the one; there is little sign that he is really interested in the other. It probably needed somebody from a business where organised labour matters relatively little and the public is usually remote even to think through this recasting of the railways. If he can achieve this—and providing it can be recast in terms of the whole future of transport in Britain, not simply of costing on the railways—he will indeed have deserved well of the British economy and the British people who live by the economy's health. But there is also a job of human and of public relations to be done, and put a price on, during this long night of the railways—and not much sign at present that any mind of quality is considering just this.

The Economist

SEPTEMBER 27, 1962

THE FUNCTION OF REFORMATORIES

QA controversy has been going on this week on the true function of Reformatory Schools, the solution of which is of no little practical importance to a very large class in this country. . . . Now, it is not economical, it is very extravagant, so far as it supersedes the domestic superintendence of parents in the case of boys by no means as yet launched on a criminal career. To educate your young thief into a respectable member of society is a great benefit even to the community who pays money for his education; but to take a lad of wild disposition off his parents' hands when there is no kind of proof that he is permanently destined for a criminal career, is not necessarily a benefit to anyone, unless perhaps the child himself, and is in fact extorting a benevolence from the taxpayer under the disguise of a tax for his own protection. We must remember that in the class from which he comes, the young robber of hen-coops, though certainly in a bad way, is not by any means in a hopeless way even as regards parental control and restraint. Such occasional offences are little, if at all, worse signs in that class than apple-stealing or mutiny in an Eton boy, which would certainly not drive his parents to despair of his amendment. We hold, then, that on every account it is of the first importance to the community that Reformatories should be kept to the use they were originally intended—for the treatment of young criminals who would otherwise become a permanent menace to society—and that venial offences should be punished so as not to withdraw the offenders from parental control and responsibility, though of course their penalty, if it be a brief imprisonment, ought not to be of a kind to associate them with corrupt companions.

China meets Malthus

Peking acknowledges the fact—if not the cause—of its economic disappointment

IT could be argued, if history were ever that simple, that the Chinese might now be free from hunger had General MacArthur not crossed the 38th parallel in March, 1951, and had the Chinese army not crossed the Yalu river to meet him. In that event, since the Americans are generous people, other quarrels might have been laid aside and by now a way might have been found for conveying the bulging surpluses of America's government-supported private farms to hungry Chinese bellies. The past is past, but there is no doubt now about the hunger, or about its far-reaching effects on the Chinese economy. Some of the intelligent guesses made by experts in Hongkong, London and the American universities are confirmed, and not too obliquely, in the current issue of *Hung Chi* ("Red Flag"), the organ of the central committee of the Chinese Communist party, which tells a tale of failure in the industrial drive that was to enable China to catch up and overtake Britain by 1973.

In effect, the *Hung Chi* article adds meat to the bare bones of the reticent communique that followed the secret session of the People's Congress—China's parliament—last April. The communique cryptically called for improved planning to establish a balance between the different sectors of the economy, and unusually gave priority—at least in the order of words—to agriculture over light industry, and to light industry over heavy. A call was also made for an increase in the output of daily necessities. It was rightly supposed at the time that these unexplained phrases foreshadowed a massive reallocation of resources—more to agriculture and light manufactures, and less to heavy industry.

In the Chinese context, "resources" still means, principally, human hands. In 1958, the year of the "great leap forward," nature had been kind, and the statisticians kinder still. The peasants, after a bumper harvest, were told in their millions to leave their fields and make steel in their back yards. Since then, nature has been cruel; the vast irrigation networks undertaken in the early 1950s to contain future floods have proved inadequate, and indeed may have reduced the fertility of the soil in areas of Honan and Shantung provinces; dreams of plenty have collapsed. Planning itself seems to have been abandoned, at least for the current year. Peasants who had been despatched, first to backyard furnaces, then to factories, have been sent back to the land, where they have been joined by many relatively veteran industrial workers. Factories are idle in Shanghai and Canton, and the Manchurian steel mills are working at a fraction of their capacity.

The burden of the *Hung Chi* article is that the party theorists who pinned their hopes on rapid industrialisation were wrong: progress will have to be gradual; there must be iron discipline for workers and management alike in order that productivity may be raised. Nor, *Hung Chi* makes clear, is there any likelihood of an early return to the heady days of 1958, for there can be no large volume of investment in industry in the near future; it will have to make do with the labour force and machinery now available.

Hands have to be fed; or, at any rate, they cannot be left

to die starving. The heart of the problem is China's massive population, which is still growing, though probably at a reduced rate. In 1644, at the beginning of the Manchu dynasty, there were probably no more than 100 million people in China. Now the population may be approaching 700 million, and the birth-control campaign, in abeyance for the past four or five years, has been revived. Contraceptives are once again being made available, and couples are being advised to marry late (23 to 27 for women and 25 to 29 for men), and to have smaller families.

The revival of a birth-control policy has so far been unaccompanied by any serious discussion of population theories. The anti-Malthusian bias of marxists is hard to remove. In 1956, the then president of Peking university, Dr Ma Yin-chu, disgraced himself by describing the size and growth of China's population as the chief obstacle to economic progress—although he had taken the precaution of attacking the Malthusian theory at the same time. Since then, Dr Ma's name has been mentioned only once, when he attended a session of the committee of the Chinese Academy of Sciences about eighteen months ago. The present birth-control campaign seems to be a tacit recognition that China's population, once officially regarded as the country's principal asset, cannot be allowed to grow unchecked. The recognition would be of greater practical value, however, if it were made explicit in Peking's planning.

WHEN Mr Mao Tse-tung established his regime in Peking 13 years ago, he said it would "lean to one side"—the communist side—in the cold war. In economic terms, this fateful choice has brought little of lasting value to China—to say the least. True, Russian technicians, materials and machines helped to get new industries off the ground, but the technicians have left and the services and goods are still being paid for. According to American figures, which are probably not very wide of the mark, Russian exports of machinery to China have been cut by more than 80 per cent since 1959, and the value of China's deliveries of goods and produce—probably including food—to Russia last year exceeded the flow in the opposite direction by \$180 million.

What all this means, in Rostowian terms, is that the communist government, which squeezed an investable surplus out of a traditionally long-suffering and hard-working population during the first decade of the regime's life, is no longer able to do even this. Starvation will yield no forced savings. The communists claim—and the achievement is not to be derided—that whereas, in the bad old days, thousands were left to die in the streets of Shanghai, there is little actual starvation now. But a general state of malnutrition, though it may be more equitable, is a terrifying, and unproductive, fact. Hongkong caught a glimpse of the problem last spring when the usual trickle of refugees into the colony temporarily became a flood. The isolation from the western world brought upon China by its own policies cannot obscure the human need of its people. But ideologically embattled Peking still cannot bring itself to appeal to its affluent enemy across the Pacific—which has its ideological battlers too.

NOTES OF THE WEEK

SOUTHERN RHODESIA

Good Tactics, Bad Strategy

As a tactical fighter, Mr Joshua Nkomo is no match for his opponent, Southern Rhodesia's prime minister, Sir Edgar Whitehead. On September 20th his African nationalist party, the Zimbabwe African People's Union (Zapu), was banned while Mr Nkomo himself was out of the country. Mr Nkomo now has to decide whether to return to Southern Rhodesia and join his arrested colleagues in what he has described as "Sir Edgar Whitehead's Hitler-like concentration camps" (Mr Nkomo might brush up his European history), or to stay at large and plead his party's cause in the independent African countries, in London and at the United Nations. Knowing that Mr Nkomo, although a tough fighter, is a vacillator, Sir Edgar thought it easy to predict that he would choose to postpone his return. But by doing so, Mr Nkomo is risking losing the respect of his African followers—and the leadership of the nationalist cause in Southern Rhodesia.

Probably it was no coincidence that Mr Nkomo was also on his travels on the two previous occasions when Sir Edgar outlawed his party. The difference this time

Mr Nkomo seems to have been outwitted all along the line. But the Europeans in Southern Rhodesia have no cause to celebrate. Sir Edgar's longer-term strategy has been as faulty as his fighting tactics have been smart. The concessions that he has allowed the Africans in Southern Rhodesia have been too little and, more important, have come too late. Social desegregation (which might once have seemed a famous victory) came at a time when African minds were on political, not social, equality. The new constitution, brought in last December, which allotted the Africans 15 of the 65 seats in parliament, proved unacceptable to Zapu in fighting mood.

So African policy, if policy is a fair description for so muddled and misconceived a campaign, turned to an attempt to intimidate the Europeans into granting something worth while. Mr Nkomo has denied—but not very wholeheartedly—Zapu's involvement in the wave of arson and sabotage that has been bruising the peace in Southern Rhodesia. It will be a shocking thing, for blacks as well as for whites, if the Africans, deprived of sensible leadership, come to the conclusion that their only method of obtaining justice for themselves is to make life intolerable for all.

ARGENTINA

Purple for Danger

ARGENTINA'S plight today is to catch the worst of both worlds, the old and the new. The squabble between military factions, which in Buenos Aires last week-end exploded into a burst of fighting, is in some ways a modern rendering of the traditional Latin American minuet of general and colonels weaving their way to the top. One group, the "blues" or "legalists," found they were being pushed around by the "reds" or "democrats" (who, under their leader General Toranzo Montero, manoeuvred their way to the top last month). The blue forces had the advantage of commanding Argentina's only armoured division, stationed at Campo de Mayo, a suburb of Buenos Aires. When their tanks surged into the capital on September 20th, the balance of power, and Argentina's cardboard president, Sr Guido, swung to their side. The fighting was brief and by Sunday the blue leader, General

Onganía, had been appointed commander-in-chief and his men were in key jobs.

These struggles for power are no longer such straightforward, or superficial, affairs as they once were. They now have, or at least claim to have, an ideological base. The democrats belie their name by believing that Argentina needs a good five years or so of military dictatorship in order to be purified of all traces of General Perón's influence. The legalists, or some of them, believe that constitutional forms should be restored by the holding of early, although carefully supervised, elections. But it would be misleading to conclude that because the legalists are now in the ascendant Argentina will proceed in orderly fashion towards elections. Within the main military groups there are many subdivisions, and the legalists have some extreme right-wing elements—as well as some peronistas.

The alarming thing about this blurring of personal and public discontents is that it increases the danger of touching off a civil war. The old-fashioned type of coup d'état seldom penetrated beneath the top layer of leaders and their henchmen. But when the personal battles begin to be linked with the wider concepts of constitutionalism and, in Argentina, peronismo, many more people are involved, and involved more intensely. As the elections in March proved, at least a third of the Argentine electorate is nostalgic for Perón and loyal to his heirs. The thwarted passion of the peronistas is too close to the surface for any ambitious general to play safely at Latin army games.

LEGISLATION TO COME?

Bits of the Charter

THREE of the motions that have been carefully set down for debate at the Conservatives' Llandudno conference deserve some attention. First, Mr Hare is to reply to a motion from Hampstead that calls flatly upon the Government to "introduce legislation based upon the principles of the Industrial Charter." Secondly, there are to be two full dress debates on housing at the conference. One is on a motion that urges the Government to speed up slum clearance and "the building of new houses for sale and letting at economic rents"; the other calls upon the Government to take steps to make house ownership easier for the less well off.

It is pretty clear that the choice of the Hampstead motion is deliberate. Mr Hare is presumably going to be authorised to indicate that the next Queen's Speech will include legislation to implement the Conservatives' fifteen year old Charter, or rather those parts of it which it is currently

fashionable to remember (nobody is likely to be so beastly as to remind Mr Hare that the original charter envisaged that trade unionists should be obliged to "contract in" instead of "contract out" of their political levy to the Labour party, or that public authorities were not to be allowed to operate a closed trade union shop, or even that it envisaged the use of price controls as one weapon with which to curb monopolies). The parts of the charter that are to be implemented are new legislation to lay down a statutory minimum period of notice before any worker can be sacked, and also to provide each worker with a written contract of service to show what his rights are. It is already known that the legislation about periods of notice will be worded to come into effect at a forward date, so that employers and trade unions will have time to "make voluntary arrangements which suit their circumstances and which are not less favourable than the rule." There has been less discussion about the possible shape of the proposed new "contracts of service." One point that is worth considering is whether the worker could not fairly be told that he will lose rights under his new contract if he joins any lightning strike which is in direct breach of any agreement (about negotiating procedure, etc.) that has been formally agreed, as part of a previous wage settlement from which he derived benefits, between his union and his employer.

The Housing Front

THE decision that there will be two debates on housing at Llandudno may simply have been taken in response to the fact that Conservative constituency associations are particularly worried about the subject. But the Government is known to have been doing some thinking about it, too. For example, it has long been believed that the promise of a new drive to "eradicate the slums" would play a major part in the Conservatives' next election manifesto; now that the Treasury should be more intent upon fostering re-expansion than on seeking new economies, it is just possible that that drive might be given larger financial subventions behind it next year, and possibly new methods of organisation as well. And talk of the need to re-expand purchasing power (about which Mr Maudling might conceivably have more to say in the annual Chancellor's speech at the Mansion House next Wednesday) prompts two other speculative reflections on the housing front.

First, Mr Selwyn Lloyd made it fairly clear in his last budget speech that Schedule A income tax on house property will be abolished after this January's payments of the tax have been made. It would not be easy now to introduce a sort of retrospective legislation to let householders off this January's dollop of Schedule A as well, especially as not everybody pays this tax in tidy lump sums (so that special arrangements would have to be made for them). But if Mr Maudling wants to see more

money fructifying in the pockets of the people this winter, a change of this sort should not be entirely impossible. *The Economist* has always regarded the whole idea of abolishing the Schedule A tax as a misconceived one; there are many other taxes which weigh more heavily against incentives to work that one would have preferred to see whittled down first. But if the tax is to go, there is a certain case for saying that it might as well go quickly.

Secondly, when Schedule A on owner-occupiers goes, and since council house rents are still kept down by the weight of subsidies attached to them, there will then be only one sort of house-dweller and house-owner who is getting no subvention or special tax relief from the Treasury; namely, the tenant (and the landlord) of privately rented property. Such a landlord, of course, pays full income tax on his receipts of rent. At a time when every competing form of house-occupation is getting (or waiting to get) special reliefs, this is one reason why more privately rentable accommodation has not come on to the market. It has been a factor in helping to keep rents high in the uncontrolled section of the market. There are several ways in which some tax inducement could be provided for bringing more new housing-space for rent on offer. They would not be easy politically, for some of them would inevitably be attacked as "giving taxpayers' money to bloated landlords who have already gained from the Rent Act." But, to think purely in terms of providing more house room for the British people, they would be a more sensibly economic form of inducement than the promised abolition of Schedule A. It is to be hoped that the able new Minister of Housing has been devoting some thought to these matters.

RUSSIA

Paying the Bill

PROPAGANDA is a double-edged weapon. Much fuss was made last year about the proposal to abolish income tax in the Soviet Union by stages. Some over-impressed foreign correspondents in Moscow reported that by 1965 Russia would be a tax-free heaven. It would have been more accurate to explain that income tax had never been a major source of revenue in the Soviet Union and that its abolition, while a relief for taxpayers, would not be exactly a revolutionary move. But, after so much ado, the decision to suspend the reduction of income tax "pending a change in the international situation," announced last Monday, has a dramatic look. In fact, the decision is mainly important as yet another example of Mr Khrushchev's difficulties on the home front.

In a country where the state determines the wage structure, income tax has never played a key part in financing the budget. The turnover (purchase) tax and a tax on

the profits of state enterprises have always been the two chief sources of Russian revenue. The not very progressive income tax used to bring in just over seven per cent of budgetary income when the decision was reached, in 1960, to eliminate it by steps. Each year, one income bracket was to be relieved from the tax and the one above it was to get a 40 per cent reduction. Next month, it was to have been the turn of Soviet citizens earning between 60 and 70 roubles a month to be freed from taxation and those earning under 80 roubles to have their bill cut. They are the immediate victims of the new decision. But Mr Khrushchev's failure to keep yet another of his pledges may well be resented by Russians at large.

When the sharp rise in the price of meat and butter was announced on June 1st, the blame was also put on the international situation. It is fair to say that, when Mr Khrushchev started wooing the Russian consumer, Soviet defence expenditure was being reduced. Now it is going up again, with inevitable effects on the budget. For some months now a discussion has been going on in Soviet periodicals and newspapers on such subjects as profitability, the establishment of wholesale prices and the degree of initiative a firm should enjoy. This seems to suggest that relative scarcity may be driving the Russian leadership to revise its methods of planning. For the time being, Mr Khrushchev is paying at home the penalty for the world's failure to reduce tensions.

EUROPE

Mr Heath's Milk Round

MR HEATH did not sleep long, after the noisy Commonwealth prime ministers' party, before setting off on one of his customary milk rounds of the European capitals. After meeting the foreign ministers of the Benelux countries in London last week, he set off on Monday to Berlin. There, speaking on television, he firmly rejected Dr Adenauer's suggestion that Britain is unwilling or unsuitable to be a member of a European political community. On Tuesday, Mr Heath moved on to Bonn for talks with Dr Schroeder. He is spending the weekend in Rome, before moving on to Cadenabbia, in northern Italy, where the toughest nut of all, Dr Adenauer himself, is on holiday. Mr Heath is to meet M. Couve de Murville in Brussels before the next main round of common market negotiations opens on October 8th.

This lightning tour must be seen, not as the start of a sprint designed to get the negotiations finished within a few weeks, but as the preparation for a last long haul. The negotiations may well hang fire until the Conservative party conference ends on October 13th. But Mr Heath's tour has at least served to reassure those Europeans who feared that the Commonwealth confer-



In a Tough Spot

is that a new amendment to the Unlawful Organisations Act makes it impossible for a banned party to start up again under a new name but with the same leadership. The nationalist opposition has been driven underground—or into prison. In Tanganyika, on Wednesday, Mr Nkomo showed how far his thoughts had strayed from the bleak realities of the situation when he spoke in terms of asking the British to send troops into Southern Rhodesia in order to take over control and suspend the constitution.

ence might force the British to reopen the finished part of the negotiations, and to reassure the British that five governments (minus perhaps the solitary figure of Dr Adenauer in the German one) are still determined to get Britain in. On October 8th, when the ministers meet again in Brussels, it ought to be possible for them to fix a timetable for the last phase of the negotiations. All the common market countries now seem to be giving the negotiations with Britain clear priority over renewed talks on political unity.

Some Commonwealth prime ministers have also been lobbying in European capitals. Following on the heels of President Ayub Khan of Pakistan, Mr Nehru paid a visit to General de Gaulle on September 20th, and on Tuesday Mr Holyoake addressed the assembly of the Council of Europe. There is everything to be said for these efforts. If other Commonwealth governments had followed New Zealand's example and begun, years ago, to cultivate the continental capitals, they might well be getting better terms today. In future years the very preservation of the Commonwealth will depend on the forging of close ties between Commonwealth countries and all Europe.

Two Kinds of Suitor

OF all the would-be associates of the common market, Switzerland, which opened its case in Brussels on Tuesday, has the most implacable determination to preserve both its commercial interests and its traditional neutrality. It is just this stubborn determination which makes the Six wary of satisfying Swiss demands.

The Six, as the British know well, have long been reluctant to concede the full economic benefits of the common market to European countries that do not share their political aims. For Austria, whose neutrality was established by international agreement in 1955, they are prepared to make an exception. Some people in Brussels and Paris are even prepared to recognise that Sweden's neutrality in the cold war poses genuine problems. But why, they ask, should they make an exception for Switzerland, a country with strong pro-western loyalties whose neutrality lost its point when France, Germany and Italy combined in one community?

The Swiss, it is true, have come a long way in their thinking about Europe since the free trade area was being mooted in 1958. They are prepared to accept tariff harmonisation and a considerable measure of economic co-operation. But they are sticking out for three awkward points—the right to conduct independent trade negotiations with outside countries; enough protection for agriculture to make the country self-sufficient in time of war; and the right to terminate the whole arrangement if war breaks out or if there is a grave international crisis. The requests on agriculture

NOTES OF THE WEEK

and trade with third countries, in particular, pose grave difficulties for the community.

The fact remains that economically Switzerland is an integral part of the new European market. As the Swiss pointed out on Tuesday, 80 per cent of their exports go to European countries, and 62 per cent to the Six. A European transport policy is bound to embrace Switzerland. The Swiss capital market is one of the mainstays of the Continent's economic life. There is a powerful case for association for Switzerland and, if this proves impossible, an overwhelming one for ensuring by cuts in the common market tariff that the Swiss economy does not get into serious difficulties.

The Council of the Six decided on Monday to open negotiations for a commercial treaty with Israel, another outsider heavily dependent on trade with the Six (which accounts for 45 per cent of Israeli exports). It is a sign that political as well as commercial hesitations have been overcome, for the Six have been under heavy pressure from the Arab countries to keep Israel at arm's length.

GHANA

The Hard Way

THINGS seem to be going from bad to worse for Dr Nkrumah. After three more bomb explosions in the centre of Accra last week, on September 22nd he declared a state of emergency. Since then the city has been under strict dusk-to-dawn curfew, much of its normal life has been dis-



rupted, and large numbers of troops have been carrying out a toothcomb search for arms and explosives; neither the parliament building nor ministerial offices have been exempt. But not all the efforts of his security forces have so far succeeded in revealing who—among the many opponents of Dr Nkrumah's dictatorial policies—is responsible for trying to assassinate him. Dr Nkrumah remains behind the walls of his presidential palace; and Mr Nehru, who

should have arrived from Lagos this week, has been put off—presumably because the Ghana government did not feel confident enough about the security arrangements. His visit would have provided a welcome boost for Dr Nkrumah, and its postponement must be made doubly bitter by the fact that Nigeria felt able to welcome the Indian prime minister.

It is easy to point out that nobody is more responsible for Dr Nkrumah's predicament than he is himself. He has failed to realise that repression tempts even peaceable men to desperate measures. But in Africa today he is not the only one to make that mistake. Some of his opponents are more extreme than he is; and he has been dogged by the fact that on the whole his countrymen's capabilities have not yet measured up to his soaring ambitions for his country. If his errors have been great, his difficulties have been enormous. Largely through his own fault he is learning his self-appointed role as leader of his people in a harder way than he perhaps need have done. One must hope for his country's sake that he learns his lesson quickly.

DETENTION FOR GIRLS

.... And of course, no Men

RUN, girls, run! Run like boys, and then you won't think about them"—thus did a well-known woman writer once sum up the attitude prevailing at her boarding school. That was many years ago, but now it appears that the same sort of attitude is to prevail in the first detention centre for delinquent girls, which opened at Moor Park in Staffordshire this week.

Detention centres may be a useful way of dealing with boys who do not need the long-term residential training of an approved school or borstal, particularly those who want to prove themselves tough enough to take anything. Detention is clearly to be preferred to a short prison sentence, which for young offenders will disappear altogether when enough centres have been established. But is a regime that has only barely justified itself for boys appropriate for adolescent girls, whose deeds and needs are usually completely different? Quantitatively, young male delinquents outnumber girls by about nine to one. Qualitatively, when a girl does get the bit between her teeth she may be much more difficult to deal with. She tends to be extremely unstable emotionally, often of rather low intelligence, self-destructive, given to wild hysterical outbursts, and usually with an appallingly precocious sexual experience that may well have begun with her father or step-father. In a few years' time, these same girls are going to be married and have to shoulder the burden of making a home and bringing up children. How can they be best helped to simmer down meanwhile?

Whatever the right answer, it surely cannot be the short punitive regime outlined for Moor Park. It will take up to

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would die away. It is certainly good that the SSEC has rejected the idea of compulsory subjects for the new Beloe Certificate of Secondary Education; that it attaches major importance to teacher participation; and that it wants the proposed ten or fifteen regional bodies to encourage local experiments to discover the best kind of test for children of indifferent academic quality.

In its sixth report,† following hard on the heels of its fifth one, the SSEC takes polite issue with the Committee of Vice-Chancellors who recommended, last April, that candidates for university places should take a "use of English" paper, a general paper and a foreign language paper in addition to their "A" level specialisations. SSEC complains that, given the existing 17-plus bottleneck, any extra compulsory competition will blight what little value the average sixth-former now gets from his "minority" time. There is some truth in this. But the vice-chancellors' idea was commendably to give "minority" time a better standing in the schools by demonstrating the importance of a rounded education. It will be excellent if this debate now brings the SSEC and the vice-chancellors together to work out a practical arrangement; they really ought to find themselves on much the same wavelength.

† HMSO. 3s.

RURAL BUSES

Making Ends Meet

AFTER the uneconomic railway the uneconomic country bus. The Council for Wales and Monmouthshire, in a report on rural transport (Cmd 1821) published on Tuesday, has recommended flatly that the Treasury in Whitehall should bear the whole cost of a subsidy to keep up bus services where, as in much of mid-Wales, they have no prospect of paying their way. This is at odds with the Jack committee's recommendation last year that any subsidy should come partly from the Treasury and partly from the local rates. The council argues that only a centrally financed scheme can operate fully effectively, impartially, simply and fairly. Also, it says, Wales presents a very special problem. In depopulated Radnorshire, for example, which has the highest proportion of private transport in Wales (one car owner in five persons) there are 2,300 rural households (40 per cent) which are without any resource—except, presumably, push-bikes and farm lorries. There are obvious difficulties for the very young, the old and housewives as public transport dwindles to inconvenient times, or dies out altogether. Large bus companies can sustain some country routes by using their town profits, but in Radnor there are only small operators left, and if they do not have a school bus or works contract they cannot make ends meet. One of their complaints,

NOTES OF THE WEEK

significantly, is the number of lifts that local car drivers are accustomed to give.

There are two reasons why the Government should stick to the Jack recommendations, not to the council's. In the first place, once a wholly national subsidy was given to any local bus service, there would be immense pressure against ever taking it off. But, as the council itself admits, the scope of the problem in each area is constantly changing: private transport will go on increasing, the non-farming population is becoming more concentrated in small towns, and the closure of railway branch lines will release more mail contracts to bus operators. Secondly, if the local authority is paying part of any subsidy, it will have a much more constant incentive to search for economies in the service.

For example, if school buses have to run anyway, could not the contractors be chosen under a system whereby school buses could also be used by the fare-paying housewife who visits the village shops and the pensioner going to the post office? The council says that this would sometimes mean that a more expensive contractor would get the school bus contract, and would thus place an unfair burden on the educational rate. This argument seems to be a fine example of inflating costs by demarcationism. There are also many instances in which a local watchdog could keep guard for economies—e.g., by emphasising when a small bus is more economic to subsidise than a large one.

WEATHER FORECASTING

Back to Necromancy?

EVEN the weather forecasters, who have a plonking way of confuting everybody else's misery with airy talk about averages, have admitted that Britain's summer this year has been a beastly one. It has been wetter than usual, colder than usual, windier than usual and shorter than usual (which last, in the circumstances, is a mercy). It has also been just about as well, or as ill, forecast as usual. This means that it has not been as badly forecast as most

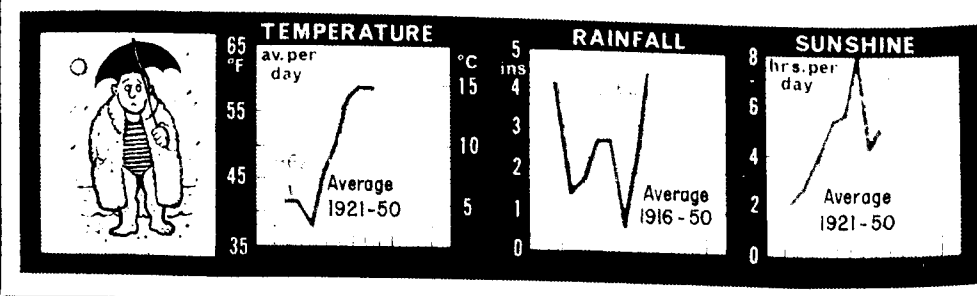
THE ECONOMIST SEPTEMBER 29, 1962

indignant and suddenly drenched members of the public suppose. The senior weather forecaster in Britain, for instance, has to predict each day, without qualification, whether or not it will rain in London on the following day—and is right about 75 per cent of the time.

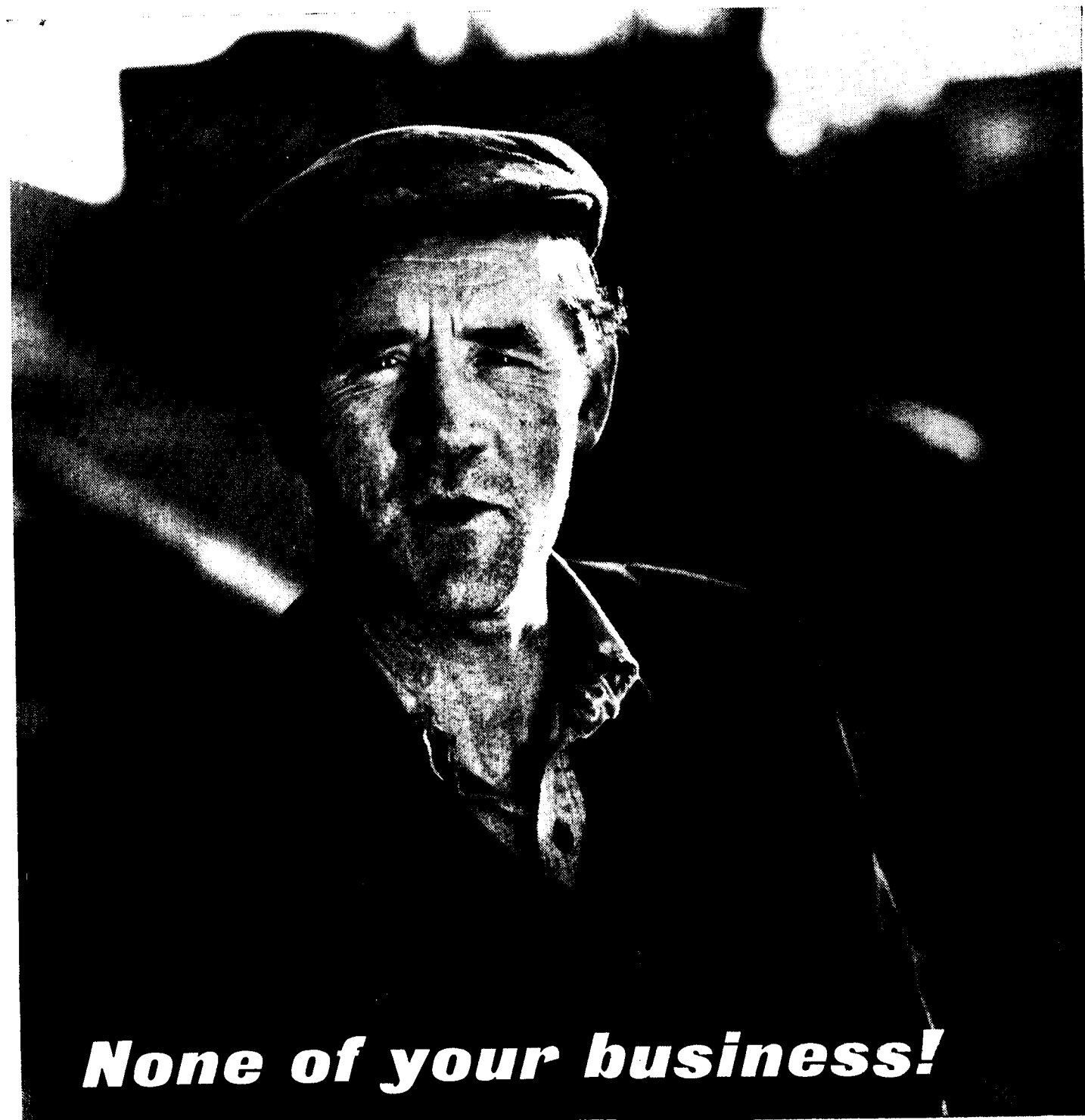
The trouble with meteorological forecasting, as with economic forecasting, is that—while it is sometimes about three-quarters right in the short term—it is still pretty unadulterated guesswork in the long term. To most meteorologists the various attempts at long-term weather forecasting which have been made still seem to lack any convincingly scientific basis; even the Tiros satellite does not yet look like being of enormous help. Weather-conscious people (that is, everybody) therefore have some excuse for returning increasingly to superstition and the interpretation of natural phenomena. And the extraordinary thing is that, in Britain in 1962, old saws have not had a bad year of it. "A cold May fills the barn": this May was the coolest since 1841, and this harvest promises to be one of the heaviest since the war. In London it was wet on Swithun's day (July 15th) and pretty nearly every day after. In some areas, the oak and the ash both showed their first leaves on the same day, something which hasn't happened since a hundred years ago; and the summer that year was strikingly like this one, all gales and soak. Nor can hope be burgeoning in the breasts of the weather-wise (apart from meteorologists) at the current signs and portents. The chill September, the profusion of hawthorn and rowan berries, the unseasonable fall of snow in Surrey—all presage, if the ancients are to be believed (and some of them are half-believed by the weather men), an exceptionally hard and bitter winter. The forecasters will not commit themselves, fearing wrath and ridicule if these unscientific forecasts err. But, by the pricking of one's thumbs . . . (This note, however, has not been written in the tradition of the Brahman weather prophets who, if wrong, observed a penance of silence for the rest of their lives.)

When Was Summer?

The Meteorological Office's records (up to August anyway) show that temperatures in England and Wales this year have been below average ever since March. The sun has shone less than usual during the summer months (apart from June) and the rain, having been comparatively slight earlier, in August descended in unseasonal torrents (4.46 inches).



THE ECONOMIST SEPTEMBER 29, 1962



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Eight out of ten power stations burn COAL

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PROGRESSIVE INDUSTRY
PLANS ITS FUTURE ON

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in fact—are on coal.

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HOME REPORT

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

A Tolerant Ulster?

FROM A CORRESPONDENT IN BELFAST

THIS week the Unionists in Ulster have been celebrating the fiftieth anniversary of their anti-home rule covenant. On September 29, 1912, nearly half-a-million Ulstermen, with members of the Orange Order and their supporters, signed the covenant declaring that they would use every possible means to stop their province being forced into an Ireland separated from the United Kingdom and ruled from Dublin. It is their continued success that they have uppermost in mind now. But as soon as the long backward look of the celebrations is over, the rival Protestant and Catholic communities of the province will be starting—at last—to look forwards. Sometime in October—the date is still a secret—Senator Gerard Lennon, leader of the Ancient Order of Hibernians and spokesman for Ulster's large Catholic minority, will meet Sir George Clarke, the Imperial Grand Master of the Orange Order.

Not since the beginning of the 1920s, when the late Lord Craig-avon (Northern Ireland's first prime minister) secretly met Michael Collins (the nationalist hero, mysteriously killed in the Free State's civil war) has there been such an important summit in Ireland. The two leaders will discuss, as Senator Lennon put it, "matters concerning the good will of the Ulster people." These matters will, presumably, include not only the familiar minority complaints about anti-Catholic bias in employment and in the allocation of council-built houses, but also more universal problems like Ulster's persistently high unemployment and retarded industrial development. The Nationalists in Parliament have said they are ready to work with the Unionists in trying to improve the economy.

Senator Lennon suggested the meeting with Sir George Clarke when he spoke at a rally of Hibernians last month. Perhaps nobody was more surprised than himself when, almost within a matter of hours, Sir George said he would turn up. Not all Orangemen agree with Sir George's response. Inevitably some of the extremists see the meeting as a trap. They have said that Sir George does not speak for the Orange Order and that any agreement he makes with Senator Lennon will not be binding on Orangemen. Others believe that no good will come out of the talks because the Nationalists are only after what concessions they can get for themselves without giving anything away.

It could be a fortunate coincidence that just about the date of



The covenant of 1912: Carson (centre) signs first

this Orange-Green summit the Oxford University Press will be publishing a survey of religious tension in Ulster. This book, *The Northern Ireland Problem*, is due to appear towards the end of October; its authors are Professor Charles F. Carter, Professor of Political Economy at Manchester University, and Mr Denis Barritt, an Ulster economist, social worker and television personality. Both are Quakers. Commissioned two years ago by the Irish Association for Economic and Cultural Relations, the survey examines all the causes of tension in Ulster's social life and politics. The authors say their findings will not please extremists on either side. It would be a good idea if someone were to slip advance copies into Senator Lennon's and Sir George's hands.

WHILE all this anti-intolerance has been boiling up, the National Council of Civil Liberties in London has been testing the ground for a new inquiry into Northern Ireland's Special Powers Act, particularly into allegations of gerrymandering, plural voting and other departures from normal democratic election procedure. The NCCL last investigated Ulster politics in 1936 and published what was then a highly controversial report on the Special Powers Act. But when Mr Martin Ennals, secretary of the council, was in Belfast in mid-September he found that the Nationalists, for whose benefit he was apparently making the investigation, would not co-operate. Mr Eddie McAteer, Nationalist MP for Derry City (Londonderry to Unionists), told Mr Ennals that an outside inquiry at this particular time would upset the October talks.

Mr Ennals also found that neither the Northern Ireland Labour Party nor the Ulster Liberal Association were interested in his mission; both Socialists and Liberals apparently agreed with the Nationalists that this was a bad time to push too deeply into Ulster's sensitive politics. They may also have felt that if there is any reforming to be done, Ulster's opposition politicians can do it themselves without the help of the National Council of Civil Liberties. If at the end of all this the talks between Sir George Clarke and Senator Lennon are even only partly successful (and no one can hope for much more) the next generation of Ulstermen may find themselves celebrating, not the "anti-Home Rule and anti-Rome Rule" agitation of September, 1912, but the new tolerance that began in October, 1962.

Leeds Leads?

FROM A CORRESPONDENT IN LEEDS

PLANS to change the face of central Leeds at a cost of many millions of pounds in the next 20 years have provided

the city with a silly-season talking point this summer. To some, who remember how plans sank without trace in Leeds in the 1930s, such futuristic talk would have made any season a silly one. The city was then promised and shown a model of new law courts, a new library, museum and art gallery, new police headquarters and additional municipal offices to be built on

two large sites flanking the Town Hall. Now, a quarter of a century later those sites are unchanged. If plans for their redevelopment have not been destroyed they must have been consigned to some municipal limbo to gather more of the ubiquitous dust and grime of Leeds.

This past experience, however, has not prevented the awakening of a lively interest

in what the city engineer and city architect think can be done to central Leeds in the next twenty years. They have published a massive blue-print to which the city council is in no way committed, but on which it has invited comment. An exhibition showing maps and models has been visited by thousands.

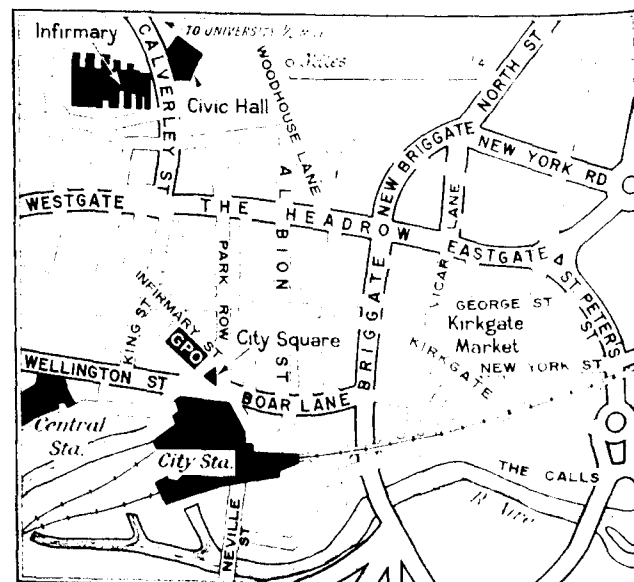
As their starting point the planners have taken a genuine local conviction that Leeds is likely to become a more important regional metropolis than it has been in the past. The city expects to be at a cross-roads of the national motorway system. The M1 will eventually end at the south-eastern boundary of Leeds, and passing close by will be the Lancashire-Yorkshire motorway linking Liverpool and Hull. The plan proposes links with these main roads in the form of urban motorways designed for traffic at 50 mph. These roads within the city will have four traffic lanes, with six in some sections, and parts of them will be either above or below ground level. The south-eastern one will connect with the M1, the south-western one with the Lancashire-Yorkshire road. The two will join at Meadow Road in south Leeds to form a single motorway by-passing the central business area to the east. A north-eastern motorway will terminate at Harehills and so ease the flow of traffic towards Wetherby and the Great North Road.

Work is to start this autumn on an inner ring road (the outer one was built between the wars). Part of it will be underground to ease the plans of the university, and it should substantially reduce traffic congestion in the central area. In the new plan, too, is provision for 16,310 parking spaces—7,000 for long stays, 5,500 for short stays and 3,630 kerbside spaces for up to five hours' parking. It is recommended that all central area parking, whether on the highway or not, should be

paid for, with charges for street parking the same as for off-street parking.

For the central part of Leeds, Mr David Currie, the city engineer, and Mr J. R. Sheridan Sheddon, city architect, have produced what they call "an overall three-dimensional plan covering buildings, space and communications." By an extensive system of pedestrian foot bridges it should be possible to walk considerable distances without crossing a road at ground level. The City Square of the future may have only the Queen's Hotel and Mill Hill Unitarian Chapel of its present buildings. A re-built post office is planned to incorporate a restaurant overlooking the square, where a fountain will be installed and the present chequer-board pattern of the central island extended to form a large pedestrian precinct. A 15-storey office block resting on a podium of shops is planned for the Boar Lane corner of the square. This block is intended to be the square's focal point, the meeting of the business and shopping areas. It would look down the full length of Infirmary Street to a site at the junction of King Street where an 18-storey block is planned. This, it is suggested, should be an hotel to relieve the chronic shortage of overnight accommodation in the city.

Another part of the plan, and perhaps its most imaginative, is for the re-development of the five and a half acre markets area bounded by Vicar Lane, Eastgate, St Peter's Street, New York Street and Kirkgate. The suggested development here provides for a new bus station, arcade shops, a new market, dance, conference and exhibition halls, a sports hall, a restaurant, and a roof-top public amusement centre to



include a bowling green, open-air dance floor and bandstand.

Not far from this site is the city's Victorian parish church, erected by vandals who destroyed an ancient church in the 1830s. Around the present ugly edifice it is proposed to create a pedestrian precinct. Of all these precincts that around the university and the General Infirmary will be the most extensive, extending almost to the doorsteps of the Civic Hall. The university has made a start. For some months now, curious, continental-looking border stations have been manned on the road into the centre of the university's territory which is now proclaimed to be a pedestrian precinct and out-of-bounds to students' vehicles. But whatever sympathy the university might have had in its efforts to expand has been largely dissipated by its recent high-handed eviction of hundreds of tenants of flats—not all of them slums—which have changed ownership by the university's taking over of trust properties.

All in all the new plan for Leeds is imaginatively conceived. It encourages local pride which is convinced of the city's vast importance as a great shopping, business and industrial centre. "Leeds leads" has been an article of faith for many a year in these parts. Much piecemeal re-development has already taken place. The new plan offers something bolder for the central area, and, however remote its realisation, the majority of Loidensians will not grumble. They are quite sure that there are far worse city centres than their present one, which indeed has some spaciousness and a simple street plan. They know, too, that a short distance from City Square in any direction is to be seen abundant evidence of efforts to destroy the dirt and squalor of Victorian slums. For the moment there is less interest in the plans for central re-building than in the new houses and flats that are rising by the thousand further out. But if Leeds is to be an effective regional capital it will need to look to its laurels.

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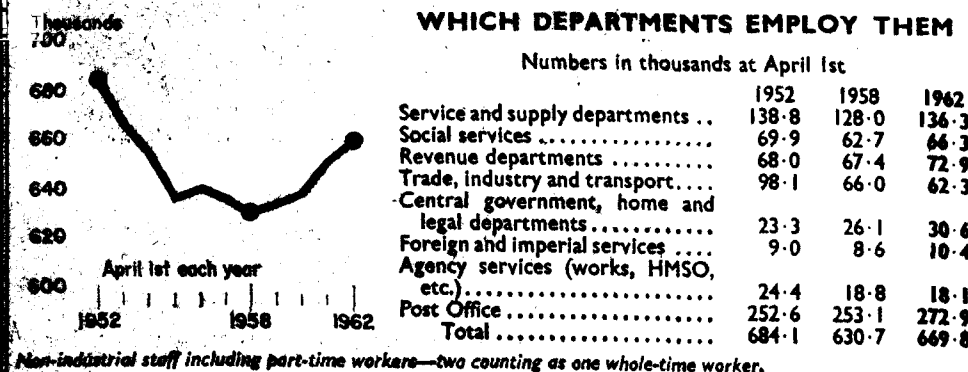
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Civil Servants

Public affairs in Britain today give employment to 650,000 whole-time civil servants and a further 40,000 part-timers. The number fell by more than 50,000 between 1952 and 1958, mainly because of the dismantling of the Ministry of Food and some pruning elsewhere. Since then it has been creeping up again. Half the increase over the last four years has been in the post office.



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**talk about an outstanding
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ALVIS OF COVENTRY

The Alvis STALWART makes its public debut at the Commercial Motor Show, September 21st-29th. On Stand 69, technical experts will be there to discuss and explain any questions asked.



The drab blocks of nissenage in Bushy Park, Middlesex, from which General Dwight D. Eisenhower conducted the lordly cacophony of D-Day (and where more recently, 2,000 children of parents on American bases in Britain were being educated), are not such as to strike a harmonious chord in the breasts of architects and town planners: yet now that their function is ending, their purpose done, the people (and notably the local authority people) of the surrounding areas of Teddington and Hampton Wick are finding a virtue in them which the Ministry of Public Building and Works has refused, so far, to acknowledge or to be influenced by, so firm is it in its resolve to return the 50-odd acres to their original green virginity. The Yankees are going home, taking all their furniture and fittings, at the end of September, and, if all goes according to plan and the minister's word, the bulldozers will move in shortly afterwards to erase school accommodation for 2,000 children, barracks for 350 men, probably the fastest athletics track in Britain, a bowling alley, a 250-seat theatre, canteens, offices, a baseball field and numerous grim signs warning of imminent fall-out.

Complaints have been made that it would be a wicked waste to break down this eyesore, forlornly decrepit and run down to the point at which the few remaining Americans enjoy little more than bare comfort. Local amateur dramatic societies want the theatre; the London and Greater London Playing Fields Association wants the buildings which go with the running track; an idealist wants the whole place turned into a teachers' training college; another thinks of it all as a grammar school; a councillor has no idea what can be done with it, but thinks £250,000 is too much to spend on knocking it all down. Nobody really has any clear idea of what use the base could be put to; but the uneasy stirrings of the British conscience at what seems pointless destruction of standing matter are not stilled.

Neither, for that matter, are the easy stirrings of British parochial pride, which has given impetus in Twickenham, the borough in which the park lies, to the widespread move to delay the demolition: for the

Back to Nature?

FROM OUR SPECIAL CORRESPONDENT



borough council was not consulted by the ministry before the minister said "Yes" in August. The ministry, in fact, acted well within its competence and common propriety, too. The park is not under the jurisdiction of the borough's planning authority (it is a royal park), and consultation with the borough was no more required for the base's demolition than it was, twenty years ago, for its erection; by the terms of the requisition of the land, the ministry is in any case bound to return it to its original condition and public use.

If the buildings are examined in detail, there is little to be found to support the inclination to preserve. They are all, bar the theatre, conventional military huts laid out in conventional, multiple H, military fashion, without pretence of design or art. They are not cold, certainly, since central heating on a lavish scale has been installed to the American taste; but they are at the same time cavernous and claustrophobic, clinical and grubby, and they are sad in the way of all temporary expedients left lingering among a glossier permanence. Not, certainly, a grammar school. Not, somewhat less certainly (since teachers are perhaps designed for suffering), a training college. Not a youth centre (miles from anywhere youth might like to be). Not, indeed, anything that the majority of people in the demanding affluence of Twickenham would like to call their own. Even the theatre, pleasant and cosy as it no doubt is, could hardly satisfy the longings of an amateur dramatic society: the floor is flat, the stage ill-adapted to the Method and masked anyway by a screen, since its function is primarily cinematic, and the windows large and uncompromisingly light-admitting.

Twickenham has had this trouble before. At one time almost the whole of Bushy Park was concealed under the nasty huts the army builds, and when they were vacated, shortly after the war, they were not immediately razed and therefore became the homes of large numbers of squatters, who took a great deal of shifting and housing, at the expense of the ratepayers and the patient native Twickenhamians on the housing list. It is not probable that the borough would like the same thing to happen again.



Unless, therefore, somebody produces an absolutely irresistibly good plan for using the huts profitably (and once the ruffled feelings on the council have been smoothed), it is almost certain that justice will be done, and the site re-presented as parkland to the citizens.

There remains the running track, by all accounts one of the best in Britain. A strong claim could be made out for its retention, alone among the detritus of occupation. But it is a claim which calm opinion will probably, rightly, resist: if it is not as good as it is claimed, it will deteriorate into another eyesore, with not enough money to keep it up and not enough runners to use it. If it is as good as its reputation, it may be too much used, necessitating changing rooms, showers, grandstands, floodlights, cafeterias and everything else which goes to support a well-supported stadium. On Bushy Park, which is relatively calm, beautiful and civilised, would this be welcome?

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"The United States will not devalue its dollar . . ."
 " . . . the dollar is a good investment and as good as gold."
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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AMERICAN SURVEY

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Judicial Powers

WASHINGTON, DC
 AS Congress prepares to leave Washington for the election campaign, the Supreme Court returns. Some might say that the exchange is a good thing for the handling of the business of government, but of course only in jest. Everyone knows it is the business of the Supreme Court to judge, not to govern. But the trouble is that under the American system of constitutionalism and judicial review it is sometimes difficult to distinguish judging from governing. Mr Archibald Cox, the Solicitor General, a former professor of law at Harvard who has been representing the government in the Supreme Court for eighteen months, remarked in a recent speech that he was "struck repeatedly by the very special nature of the Court's work." More than half the docket, he said, "is quite different from normal judicial business," involving

contests between institutions and ways of life. . . . The issues are ones upon which the community, consciously or unconsciously, is most deeply divided. They arouse the deepest emotions. Their resolution—one way or the other—often writes our future history.

The docket for the new term that begins on Monday illustrates Mr Cox's remarks. Consider the conflicting interests involved in some of the cases, and the controversy that is bound to arise no matter which way the Court decides. Last term the Justices stepped on millions of toes when they outlawed the reading of an officially composed prayer in New York schoolrooms; this term they must pass on the recitation of the Lord's Prayer and verses from the Bible in tax-supported schools. Years ago the Court held that the Constitution requires the states to supply free legal aid for impoverished criminal defendants only in capital cases; this term lawyers have been directed to argue the question of whether that rule should be overturned and legal aid required in all criminal cases. The law enforcement officials of the states are already agitated.

There are regional contests to referee. May California exclude Florida's avocados from its market? May railways charge more for shipping goods to the Middle West from the port of New York than from Baltimore? Is Arizona or California entitled to more of the precious water of the Colorado River? The whole anguished problem of Congress's right to question citizens about their possible Communist affiliations will be rehearsed again. Several cases test the right of the states to censor supposedly obscene books. And the Court will pass on the constitutionality of federal statutes which take away the citizenship of native-born Americans who stay abroad to avoid military service, and of naturalised citizens who return to the country of their birth for three years or more.

This sampling of the issues to be considered during the next nine months omits what are probably the two most important problems before the Supreme Court—problems in whose resolution the Court may truly, in Mr Cox's words, be writing history. The first of these is "legislative districting." Last March the Court said for the first time that voters had a right to challenge, in lawsuits, the apportionment of seats in State Legislatures. That

was all the Court said: the doors of the courthouse are open. But the decision set off an unprecedented legal explosion. In more than half of the fifty states suits have been brought attacking the American version of the rotten borough, and many state and lower federal courts have directed Legislatures to redistrict or have even reshuffled the electoral districts themselves. The speed of these developments has astonished everyone, not excluding the Justices of the Supreme Court.

Now they must begin to deal with the hard questions which they left unanswered last March. Does the Fourteenth Amendment to the Constitution, in the clauses assuring "due process of law" and "the equal protection of the laws," guarantee the voter complete equality of representation in the Legislature? To put the question another way, are those clauses violated when one state constituency has twice the population of another, or three times, or ten? May a state base one house of its Legislature on population and the other on something else, allotting, for example, each county one seat in the upper house? Does the Constitution require equal electoral districts for the members of the national House of Representatives? The answers to these questions may determine the political future of the United States. The ancient hold of rural areas on the State Legislatures, so destructive of their role in the increasingly urbanised society of America, is already being relaxed under the impact of the decision last March. The rural and conservative bias of the House of Representatives in Washington is also at stake. In the cases involving legislative apportionment, even more than in the school segregation cases of 1954, the Court will be exercising the ultimate functions of government.

THE other great problem before the Court in the new term arises from the sit-in campaign in the South which has been carried on by students during the last few years. Hundreds of students who have been trying to open restaurants and other places of public accommodation to Negroes have been convicted on charges of trespass on private property—the property of shopkeepers who refused to serve them and called the police to take them away. Now the Supreme Court must decide whether criminal convictions in those circumstances square with the Constitution. The established rule is that the mandates of the Constitution, including the prohibition against racial discrimination, apply only to governmental bodies, not to private persons or institutions. In the past it would have been assumed that the convictions of the sit-in students reflected only private discrimination, which was beyond the reach of the Constitution.

But the concept of "state action," as it is called, has been expanding. The Court has held that a company town—one in which the streets and buildings were all owned by a private corporation—had so many attributes of a governmental body that it was covered by constitutional limitations. And it was held that the enforcement by state courts of private agreements not to sell property to Negroes turned the discrimination into unconstitutional "state action." In seven sit-in cases this term it will be argued that the state has intervened so far, by licensing and regulating the shops concerned and then by enforcing their policies of racial discrimination through the police and courts, that the discrimination can be charged to the state. Should the Supreme Court accept even a part of this theory, the consequences might be

profound, entirely apart from the impact on race relations. The government grants power to private organisations in many areas, and helps to enforce their decisions. To take one example, trade unions and corporations are chartered by governments and exercise large and quasi-governmental powers. It would be a fundamental change if their actions were to be subject to the limitations of the Constitution and to judicial review.

The forthcoming term promises to be of exceptional interest not only because of the issues facing the Court but also because there will be two new Justices on the bench. In a Court that has divided 5 to 4 on so many issues, two new members can make a revolution. They are Mr Byron White, formerly the deputy attorney general, who replaced Justice Whittaker last April and was scarcely tested last term, and Mr Arthur Goldberg, who was named by President Kennedy last month to replace Justice Frankfurter upon his retirement. The departure of Justice Frankfurter could have especially important consequences because of the leading part he played for so many years in restraining the Court from placing new constitutional limits on governmental action. He commanded the five-man majority which refused, for example, to upset federal restrictions on the Communist party and refused to find violations of free speech and association in congressional investigations. Justice Whittaker was also on that side, so predictions are being made freely that the two new members will swing the Court sharply toward Justice Black's philosophy of absolute protection for individual liberties, no matter what the countervailing social interest may be.

But such forecasts seem too simple. As a trade union lawyer and Secretary of Labour, Mr Goldberg was a liberal—but he was, above all, a practical man, a man of affairs. Mr White also shares the cautious belief of his friend Mr John F. Kennedy in liberalism tempered by a fine political sense of the possible. Both men are likely to have well in mind the lesson of history that by straying too far from the views of the country the Supreme Court endangers its own usefulness. In the end the Court cannot do without public support for its decisions.

Kennedy's Little Rock

HARD on the heels of the centenary of Lincoln's Emancipation Proclamation, which freed the slaves, the gravest clash between the federal authority and the southern states resisting racial integration in education is taking place in Mississippi, the great bastion of the old southern way of life. But it may well prove to be the last such confrontation. On Friday, after *The Economist* has been printed, Governor Barnett has been ordered to appear before the Court of Appeals in New Orleans to answer charges that he became guilty of contempt of court when he refused, on Wednesday and for the third time, to admit Mr James



Meredith, a Negro, to the all-white state-supported university at Oxford. Federal courts at all levels have ordered the admission of Mr Meredith, who would be the first known Negro to be educated with whites in Mississippi, and its officials, including the Governor, have been specifically enjoined from interfering. If the Governor, who has refused to be served with any of the courts' orders, fails to appear, it will be up to the Department of Justice to force him to do so. But he has instructed state officers to arrest any federal officer applying force. This may make it necessary for the Administration to send in troops, as President Eisenhower did five years ago at Little Rock, Arkansas.

Governor Faubus of Arkansas never laid himself open to arrest, but Governor Barnett has proclaimed again and again that he and other, less enthusiastic, state officials will go to prison rather than permit any racial mixing. The Department of Justice, by directing its first legal fire at the university's officers and trustees, has tried to avoid a direct clash with the Governor; it has no desire to serve his further ambitions (he is said to have his eyes on a seat in the Senate) by making him a martyr. But the Governor had himself appointed as a special registrar of the university and himself turned Mr Meredith away, thus "interposing" the authority of the state between the university and the federal government. If he were to get away with such open defiance, every other Governor in the deep South would be under pressure to follow his example.

The crisis at Oxford, Mississippi, where the great southern novelist William Faulkner is buried, differs from that at Little Rock in other respects. Congress refused to give the Department of Justice the power to initiate law-suits against racial segregation in education, but the department has been deep in the Meredith case for many months; it is not likely to be taken by surprise by any turn of events, as the Eisenhower Administration was. Feeling does not usually run as high over the mingling of Negro and white adults as it does over the teenagers who were involved at Little Rock. For Mr Meredith, an ex-serviceman whose bold ambition is to go into politics in Mississippi, things may be different. Mississippi prides itself on not having to use violence in racial matters. But after the case has been won and the federal marshals—or troops—have departed, who can say what will happen? The scenes at the university this week were not reassuring. Mr Kennedy's praise, in his statement on the centenary of the Emancipation Proclamation, for the courage and perseverance of the Negro people was richly deserved.

Steel Wins a Round

EVER since they incurred the wrath of President Kennedy last April by trying defiantly to raise their prices, the steel companies have been under a cloud. They have been the target of investigations by the Administration and Congress, of scattered anti-trust suits and of threats to curb their freedom of action; they have even been threatened—in a staff report to one congressional committee—with "dissolution." This week they won a measure of relief from one quarter. The Senate Judiciary Committee decided to reject a recommendation by its subcommittee on monopoly that four major steel companies, led by the Bethlehem Steel Company, and nine of their top executives, should be cited for contempt of Congress for refusing to furnish the subcommittee with information about their costs and production. The vote was a decisive 10 to 5, with four southern Democrats siding with the six Republicans on the committee to rebuff Senator Kefauver, the subcommittee's chairman. Eight other companies had agreed to comply if the four were compelled to do so.

This is by no means the end of steel's catechism; Senator Kefauver says he intends to press on with his investigation, which

is designed to show that the trouble with the industry is that the companies are getting together to keep up prices when they ought to be reducing them competitively to increase sales. But the ruling may mark the beginning of a change in sentiment. A majority of the members of the Judiciary Committee sympathised with the view of the steel companies that to release the information demanded would help foreign manufacturers in their increasingly successful invasion even of the domestic market, where 5 per cent of all steel used now comes from abroad. For the effectiveness of this competition the manufacturers are inclined to blame the erosion of the profits out of which they finance the modernisation needed for them to become more competitive. Profits may be close to vanishing point in the third quarter of this year and some dividends have been cut already.

Demand is refusing obstinately to pick up; as a result, the United States Steel Company, the giant of the industry, has just revised its forecast of steel production in 1962 downward for the second time in three months, to between 98 and 100 million tons, while the company looks for still lower output next year. Consumption, however, continues to exceed production with the result that since April some 4 million tons have been withdrawn from stocks; these should be back to about normal next month from the build-up in the spring as a hedge against a possible strike. The industry meanwhile can be expected to make what capital it can out of the decision of the steelworkers, at their convention last week, to reopen their two-year contract next year to demand a pay increase; only six months ago the union was commended for its restraint in forgoing a rise in wages.

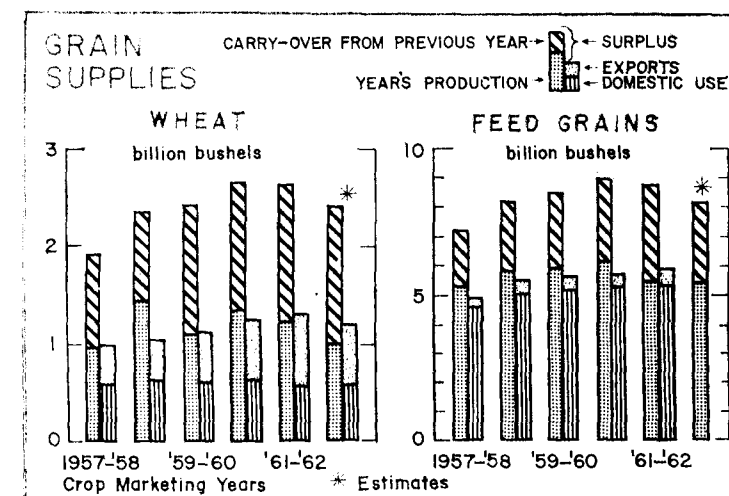
Against the Grain

FACED with a Congress which is generally unco-operative although it is controlled by his own party, the President has adopted the tactful course of praising its achievements while suggesting that these would be even more striking if a few more Democrats were sent to Washington in November. Last week Congress helpfully provided ammunition for both theses. It adopted—though by only five votes in the House of Representatives—a watered-down version of the Administration's farm Bill which many observers gave up for lost last June. And the House defeated the Bill for federal education to colleges by 214 votes to 186. Nearly two-thirds of the votes cast against the last hope this year of substantial federal aid to education came from Republicans. If the farm Bill represented victory snatched from the jaws of defeat, precisely the opposite was true of the education Bill. The House and Senate had been deadlocked since May over two issues—grants to church-supported colleges for construction and scholarships for students—when on September 17th the conferees suddenly adopted a compromise worked out by two Democrats. Three days later the House, baulking at scholarships disguised as "non-reimbursable loans" and bombarded by telegrams from the National Education Association (whose members are largely teachers in tax-supported primary and secondary schools) opposing any aid to church-supported—chiefly Roman Catholic—institutions, voted to send the Bill back to committee.

Early this year the President asked Congress for power to tackle surpluses of agricultural commodities by reducing production below consumption until a balance was reached. Congress has now approved a Bill which provides for such a "supply management" programme for wheat, though not until the crop year 1963-64; as farmers have already begun to plant this year's crop it is too late for such innovations in the year 1962-63. Farmers cannot even be required, as they were last year, to cut their acreage as a condition of receiving price supports; instead they will receive additional inducements if they do so. But in 1963-64 farmers will be assigned

marketing certificates stating how much wheat they may sell for domestic human consumption and for export; the price of this wheat will be supported at a higher level than that of the rest.

All of the Republican members of the Senate-House conference on the Bill voted against it and so did all Republicans in the Senate; only two Republicans in the House voted for a measure which their leaders called "terrible," "unsound" and "extremely costly." The price of ensuring sufficient Democratic support involved dropping the idea of stringent controls on the production



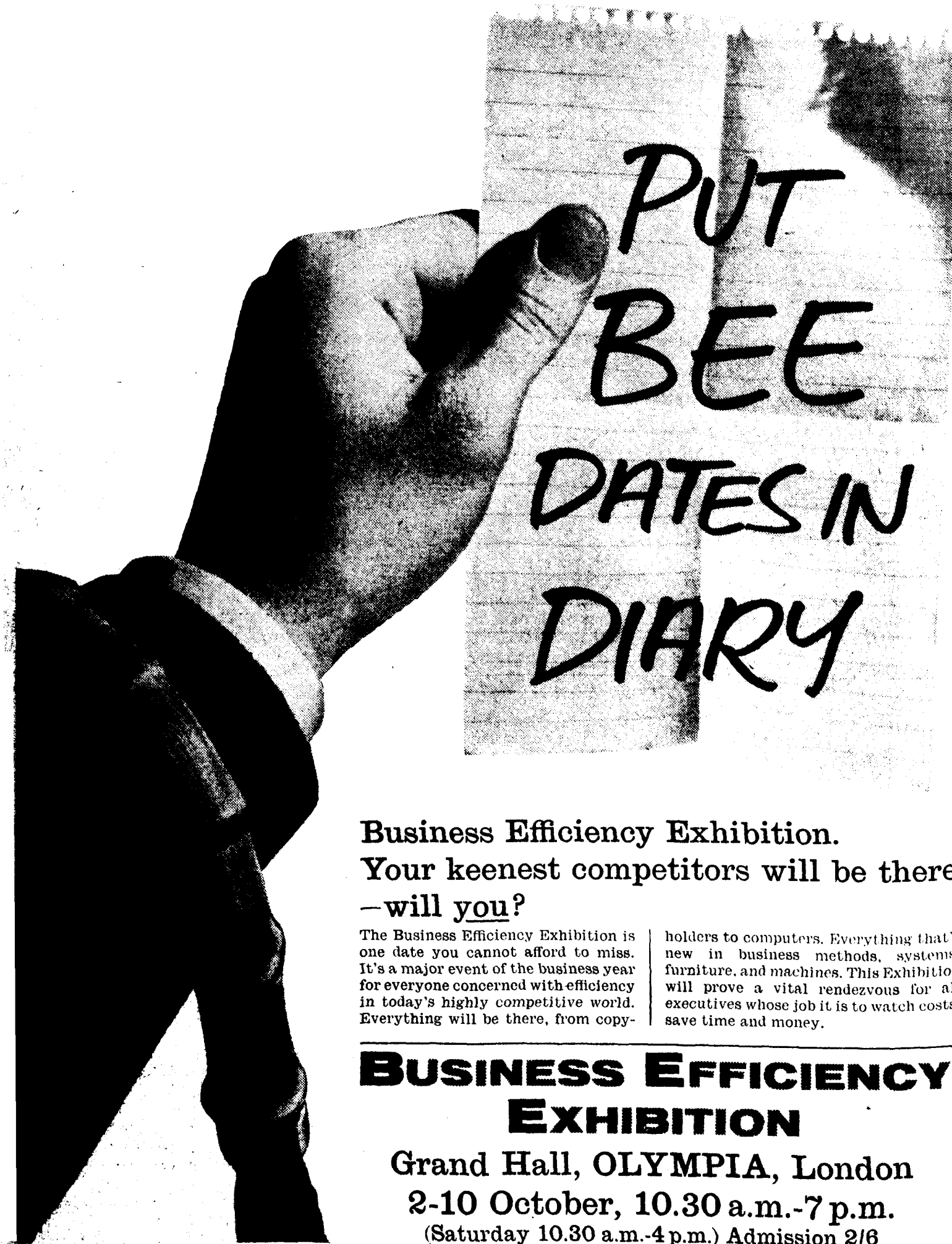
of feed grains; dairy products were allowed to escape long ago. But Congress has extended, in a slightly amended form, last year's scheme for paying producers of maize, barley and so on to cut their production and for 1963-64 it has given the Secretary of Agriculture the power to set support prices low enough to discourage any addition to stocks. Before then Congress may change its mind again. But at least the Democrats have taken a first, painful step toward the President's solution for liquidating farm surpluses.

Well-Matched in Pennsylvania

PHILADELPHIA, PA

AMERICAN political campaigns often blend Billingsgate and Eatanswill. Honest men descend to the level of the rascals with whom the campaign compels them to associate. Normally reasonable men hurl unreasonable abuse at one another. The big state of Pennsylvania, founded by Quakers, is no exception. Its reversion to Republican party rule would be a major landmark in the November elections. Although the Republicans controlled the state throughout the first half of the century—Democrats say they looted it—Pennsylvania has not elected a Republican Governor since 1950. Its representatives in the next Congress, though three fewer than at present, will still outnumber those of any other state except for New York and California. It is small wonder that the President chose Pennsylvania last week to open his campaign for the election of more Democrats.

The Republican candidate for Governor, Mr William Scranton, and the Democratic candidate, Mr Richardson Dilworth, are dutifully reviling each other. Yet they would appear to have more in common than either has with his own political bedfellows, at least at the state level. Both are graduates of Yale University, come from well-known families, and have some progressive political ideas. Mr Scranton, who is 44 years old, swam powerfully against the tide to be elected to Congress in 1960, when President Kennedy carried the state. Mr Scranton is concerned with Pennsylvania's high rate of unemployment and wants to establish new industries



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electricity in the region is its principal economic justification, and explains why the project has received the bipartisan support of Governor Rosellini, of Washington, a Democrat, and Governor Hatfield, of Oregon, a Republican, as well as of the congressional representatives of both states.

Old-Fashioned Unionism

FROM A SPECIAL CORRESPONDENT

TRADE UNIONS, like people, change as they grow older and more secure and frequently the ageing process is just as painful to observe. In recent months, the International Ladies Garment Workers Union has provided two separate but related examples; it has been cited for unfair labour practices because it has fought against recognising a trade union organised by its own staff and it has also been forced to defend itself before a congressional committee against charges of racial discrimination. Other American unions have done similar things but to find the ILGWU in such situations has shocked liberal opinion because for thirty years the garment workers' union, with its 400,000 members, and its president, Mr Dubinsky, have been held up as outstanding examples of decent, incorruptible trade unionism based on principles of social responsibility. But now the National Labour Relations Board has accused the ILGWU of having acted like any other anti-labour employer when faced with demands for union representation from its own staff. At the same time, the National Association for the Advancement of Coloured People has been asserting that the ILGWU discriminates systematically against its Negro and Puerto Rican members by allowing them to fill only the lower-paid vacancies in the clothing industry.

In the nineteen-twenties and thirties, the women's garment trade, concentrated then as now in and around New York City,

was primarily one of immigrant Jewish workers, many of them with socialist and radical backgrounds. Their trade union reflected their sense of social idealism and was among the first labour organisations to break through the barriers of political and economic conformity imposed by the craft-orientated tradition of the stolid American Federation of Labour. The ILGWU was an enthusiastic supporter of the New Deal and could generally be found in the forefront of every liberal cause.

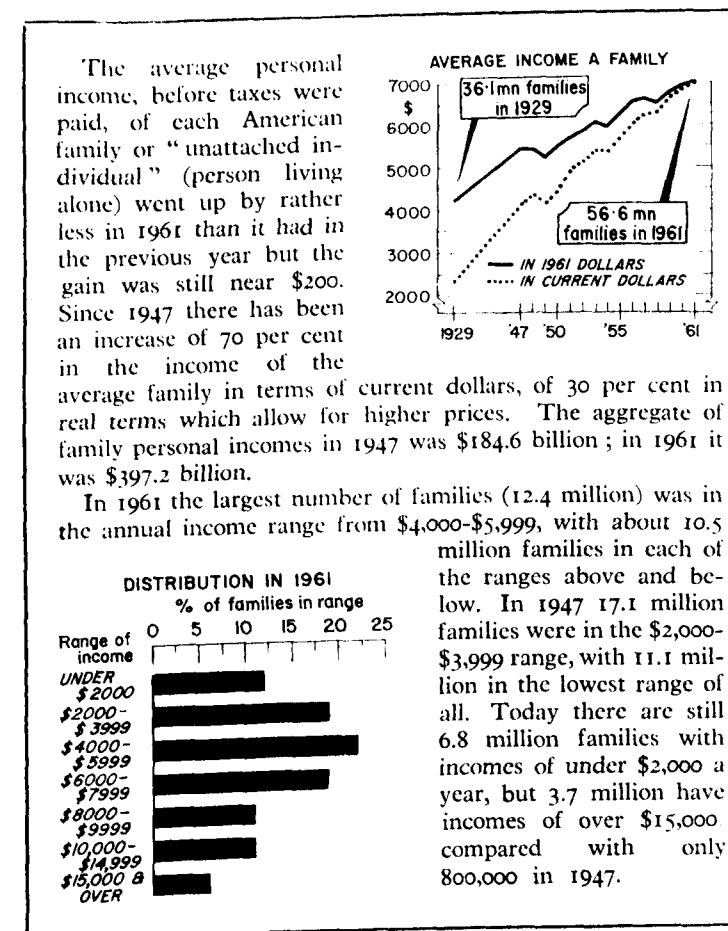
Gradually, however, the union changed. The sons and daughters of the immigrant workers went to college instead of into the clothing work-shops; many of the older members of the union became employers. Now at least half of its members in the New York area are Negroes with another growing group, the Puerto Ricans, also finding their way into the garment district's lofts in midtown Manhattan. Since half of the union's national membership is concentrated in the New York clothing market, this means that at least one quarter of those belonging to the ILGWU are either Negro, Puerto Rican or, on the West Coast, of Mexican origin. But in spite of the growing proportion of these groups among the union's members, the older leaders, like Mr Dubinsky, who is now 70, refuse to give up their extremely tight control over the organisation even though they are separated from the newer members by a great cultural gap.

The rigid hold which Mr Dubinsky and his colleagues have on the union's administrative machinery has been one of the most important elements behind the attempt of the staff to organise a union of its own. The union's employees complain of inadequate salaries, of bad working conditions, of nepotism and of Mr Dubinsky's arbitrary and autocratic attitude. Although the ILGWU is a very rich union and has cordial relations with the employers in the clothing industry, its approach to its own staff is based on a sentimental refusal to abandon the outmoded ideas of the class struggle. At the same time the union has been trying to defend itself against charges that it excludes its Negro and Puerto Rican members from the better paying jobs in the industry; such charges have been upheld, in at least one case, by the New York State Commission against Discrimination. The NAACP also maintains, that Negroes and Puerto Ricans are kept from any positions of influence within the ILGWU itself.

Its leaders deny these accusations heatedly, pointing to the union's record of support for liberal causes as proof of its character and intentions. At the congressional hearings, Mr Dubinsky stated that Negroes and Puerto Ricans would be given posts in the union only because they were competent and not because of their background, thus implying that few suitable Negroes or Puerto Ricans had yet emerged from the ranks. The ILGWU is challenging the NLRB rulings against it in the highest courts so there is little likelihood that it will be negotiating a labour contract with its own staff in the near future. Nor is there much likelihood that any substantial changes will be made in the leadership of the ILGWU to meet the demands of the newer members. But the union's public image has been severely damaged and the pressures on it seem sure to grow.

SHORTER NOTE

A high-level international conference, sponsored by the Peace Corps with the co-operation of the Departments of State and Labour, is to be held at San Juan, Puerto Rico, from October 10th-12th; some 40 countries will be represented and the Administration hopes that the conference will encourage the setting up by other countries of groups similar to the Peace Corps. Delegates will consider the part to be played in speeding economic progress in under-developed countries by people with "middle level" skills—for example, medical technologists, construction foremen, lathe operators—and how to increase their number.



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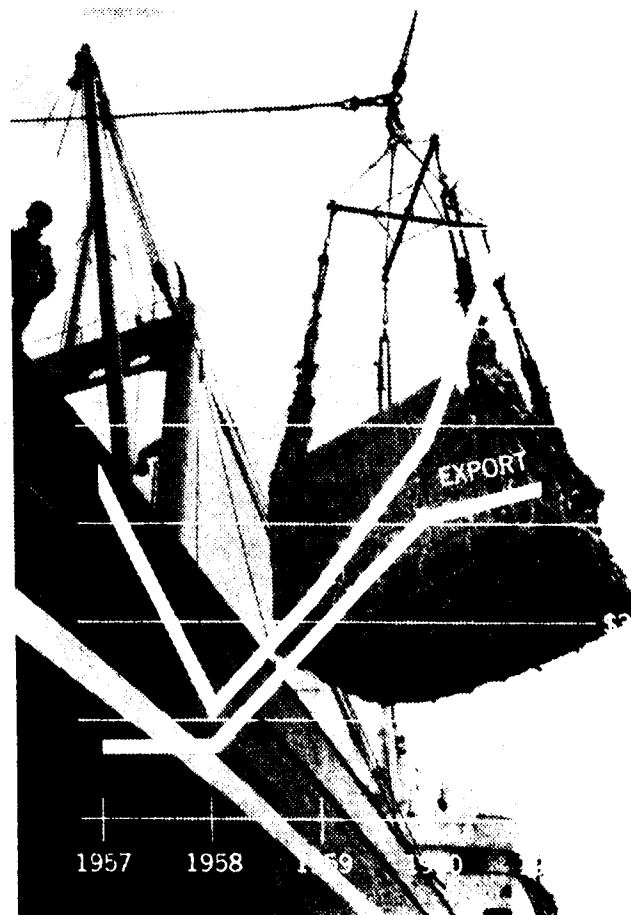
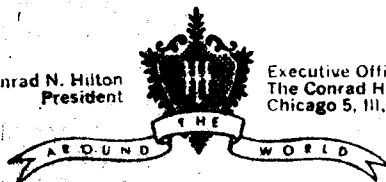
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THE WORLD OVERSEAS

Shrug from Australia

FROM A CORRESPONDENT IN AUSTRALIA

THERE has been remarkably little reaction in Australia to the latest developments concerning Britain's entry into the common market. Neither the communique after the prime ministers' conference, nor Mr Macmillan's appearance on television as a dithering pro-marketeer, nor Mr Gaitskell's leap from the fence on to the side of the anti-marketiers, has been able to compare for public interest with the progress of the Australian yacht, *Gretel*, in the challenge for the America's Cup. This is not because of the Australian obsession with sport. It is because the present position in the common market saga had been expected and discounted long ago.

From the moment when the Secretary of State for Commonwealth relations, Mr Sandys, arrived in Canberra last year to try to talk a grim-faced Australian cabinet into approving Britain's application to join the common market, everyone in Australia has been convinced that Britain was going to join come what may. Assurances by British ministers that this would not be so without adequate safeguards for Commonwealth trade seemed merely a facade to make their desertion of the Commonwealth look more respectable. So it came as no surprise that in spite of the Commonwealth prime ministers' views that their countries' interests were not yet safeguarded, Mr Macmillan should say that Britain must join. What Australians do not perhaps fully realise is the ease with which their own prime minister, by accepting an invitation to appear himself on television and by appealing to the British electorate over the head of its government, could have made British entry politically impossible.

Even if they had realised this, a majority of Australians probably would not have wished Mr Menzies to coerce the British Government in this way. Just because they have for so long expected Britain to enter the market, the sense of grievance has burnt itself out. This is true even when on present showing it would seem that Australia and Canada, alone of the Commonwealth countries, are going to face the blasts of the common market without being offered any protection other than vague promises about "reasonable" internal market prices and world commodity agreements later. Opinions vary about the extent of the impact on Australia. No one doubts that there will be export difficulties in the short run, whatever adjustments may be made later; but everyone would agree that it is for Britain to make the choice and for Australia to push Britain to get the best possible terms, but not beyond the point where Britain no longer has a choice.

Thus the only argument between the parties in Australia has been concerned with whether this has been done in the most effective way. The opposition will suggest, for example, that the Australian negotiators have defeated their own ends by protesting too much, or that they might have done better by stressing Australia's role as an exporter of tropical products. But Mr Gaitskell's call for an election in Britain before the decision is made evokes little or no response in the Australian Labour party, which is far more concerned to prove that the negotiations have been mis-handled than to prevent Britain from entering the market.

Australia, indeed, is already learning to live with the common

market, at any rate as an idea. There is a feeling that this is the path of history and that events were moving in this direction anyway. The Commonwealth, it is felt, whether or not Britain becomes part of a full-scale federation in Europe and despite all the professions of British ministers, will never be the same again. But then it was not the same anyway. The tight little bunch of sister nations acting together for their common good had already, it is felt, changed its function and become a device for preventing an amorphous collection of black and brown demagogues from turning communist.

Trade, too, has markedly changed its direction. The proportion of Australia's exports going to Britain has fallen from 55 per cent in 1937-38 to 19 per cent in 1961-62; while the proportion of Australia's exports going to Asia and the Pacific area has risen from 24 per cent before the war to 53 per cent in 1961-62. Japan has replaced Britain as the largest buyer of wool. This puts the balance of trade too heavily in Australia's favour. But now a new trade agreement is being prepared in which Australia will recognise Japan as a partner under Gatt and so renounce its power to discriminate against Japanese goods. There is scope for importing more capital goods from Japan by abolishing the 7.5 per cent tariff on capital goods not made in Australia coming from any country other than Britain. Australia has high hopes of Japan as a substitute for Britain—probably too high considering the difference in cost levels.

The search for new markets may, however, yet turn out to be a less formidable task than it seemed at the end of last week's conference, and the common market may not seem so impregnable after all. The Australian prime minister has again gone on to Washington. He may yet return to Australia with some reward for not having shattered Mr Kennedy's dreams of a united Europe.

... and from New Zealand

FROM OUR CORRESPONDENT IN NEW ZEALAND

NEW Zealanders, who are already largely convinced that there is little they can do or say to alter the course of events, did not expect any dramatic developments at the Commonwealth conference in London; consequently, they are neither greatly exhilarated nor greatly disappointed by what occurred. It was widely taken for granted before the prime ministers assembled in London that Mr Macmillan had already made up his mind to take Britain into the common market, and that he would succeed in doing so without a general election in Britain. The London conference simply reinforced this conviction. New Zealanders see little about which to enthuse in the reassurances about special treatment for their country and in the repeated statements that its difficulties are understood both by Britain and by the Six. Most people do not doubt that these assurances are well meant, but many take leave to doubt whether they can be fulfilled.

Inevitably, there are widespread misgivings about the effects on

this country of British membership of the common market. The farmers fear the loss of profitable and well-established markets, and see little prospect of finding comparable outlets elsewhere in the world's present protectionist mood. They distrust the assurances that what New Zealand may lose on the British swings it will make up on the European roundabouts. Frankly, the doctrine of British homogeneity with western Europe will take time to be understood on the Commonwealth's outer marches. The rest of the New Zealand community is infected to a greater or lesser degree by the farmers' fears, for most people recognise that anything which depresses agricultural prices, jeopardises agricultural markets and diminishes the overall earnings of the farmers is bound to be transmitted in varying degrees through the whole economy.

Now that the initial alarm has had time to subside, many people recognise at least part of the British predicament, and concede that Mr Macmillan must have compelling reasons for the steps he proposes to take. There is a growing opinion—albeit a wry one—that it will do this well-favoured country no harm in the long run, and probably a lot of good, to have to sell more energetically and competitively and fight for a standard of living that has hitherto largely been taken for granted. But it is recognised that this readjustment will take time and may well be agonising. The Commonwealth conference was closely followed and extensively reported, and already there is some shortening of sail in various quarters in anticipation of more difficult sailing weather ahead. But the general attitude, so far as there is a general attitude, is frankly one of waiting and hoping that something better than London has so far produced will turn up.

The moderate line taken by Mr Holyoake and Mr Marshall at the conference is generally, but by no means unanimously, supported. Whether this tolerant mood will extend until the general election in November next year it is impossible to predict, but unless the assurances that New Zealand's interests will be safeguarded are followed up by something more specific, a more querulous tone may well develop. British opinion will be deluding itself if it imagines that there is not some disenchantment and disappointment with British policy. There is a very general hope that somehow Commonwealth links will be preserved, but considerable scepticism about whether this is possible. The common market is by no means without its advocates in New Zealand. They are a minority in relation to its critics, but they are nevertheless sufficiently vocal and influential to be heard attentively.

The great debate will undoubtedly continue and it is obviously too early to expect settled conclusions. The New Zealand Labour party, through the mouth of its second most influential parliamentary figure, the former minister of finance, Mr Arnold Nordmeyer, has just firmly declared itself against British membership. So has a large section of the New Zealand trade union movement and large sections of organised farmers' interests. They have all been told that they will not influence Mr Macmillan's decision, but that will not stop them from continuing to protest. Mr Holyoake has only a little more than one year in which to demonstrate, with the help of Mr Macmillan, whether or not these protests are unwarranted. He must be hoping just as fervently as Mr Macmillan that he can succeed, because if he does not he may find it very hard to win the next election.

... and Russia Weighs it up

Moscow is carefully following all developments connected with the closer integration of western Europe. General de Gaulle's visit to Germany and the Commonwealth conference in London are carefully analysed. So are western statistics of production, trade and finance. The Soviet leaders realise that the economic and political changes in western Europe have reached

a stage where they may be forced to readjust their own strategy and tactics. Naturally, their reactions will depend on their assessment of what is happening in the Atlantic block; and enough has now been published in communist papers and periodicals to make it possible to sum up the official Soviet view on the common market and its likely impact on the Soviet block.

In the Soviet view technological change drives production beyond the limits of narrow national boundaries. West European integration is a capitalist attempt to by-pass these limitations. In accordance with marxist doctrine, this attempt (sponsored by "trusts" and the "financial oligarchy") is doomed to fail in the long run. In the short run, however, it may to some extent stimulate production and trade. It is now admitted that the economic integration of the Six was not simply an "arithmetical addition." But according to the Russians the stimulating effects of integration should not be exaggerated. Although Japan is outside the common market, it has been growing faster than the Six. The Six themselves had a faster rate of growth than the average of non-communist countries even before 1958 and this pace is now tending to slacken. Besides, the European Community still has to face two major tests. The more awkward provisions of the Rome Treaty have still to be introduced, and the Six have still to prove that they can weather a serious economic storm.

The common market, however, is now treated by the Russians as a serious phenomenon which must be reckoned with. Since, in the Soviet view, the community is the brainchild of "big monopolies," its main effect has been to accelerate the process of concentration in industry and agriculture, trade and finance. This description not only fits into the marxist pattern; it also opens up opportunities for propaganda among the victims of concentration. On the impact of integration on wages, Soviet commentators are more ambiguous: the purpose of the common market, they say, is to keep wages down, but industrial workers have nevertheless managed in some cases to obtain higher real wages.

Moscow's main argument is that integration has not, and cannot, eliminate the inherent contradictions of capitalism. Discussions over farm prices or export subsidies are taken as illustrations of the internal struggle for power among the Six. Britain's abortive attempt to counter the European community with the European Free Trade Association is given as an example of wider conflict. While Soviet sympathies are, most emphatically, with Britain's anti-marketiers, Moscow seems to expect that, urged on by the Americans, Britain will finally join the Six. The Russian planners are already contemplating a world in which the "advanced capitalist countries" will be divided into a North American group, a west European one and an embryonic Asian formation centred round Japan.

The changing relationship between Europe and America is for the Russians the most significant, but also the most complex, factor. The United States has encouraged European integration. Western Europe, thanks to its economic recovery, has increased its share in non-communist production, trade and gold reserves. As a result of this transformation, the political and even the nuclear leadership of the United States is now beginning to be questioned in the western world.

Soviet policy moves will be grounded on these assumptions. It is an exaggeration to suggest that the communist theoreticians who met in Moscow last month decided on the advice of their Italian colleagues to adopt a more favourable line towards the common market. What they seem to have decided is that the EEC is a fact and must be treated as such. Communist parties in western Europe must work within this new framework and, when necessary, co-ordinate their activities. But their attitude will not suddenly become friendly. They are urged to intensify their

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struggle for higher wages and to organise "national, anti-monopolist" blocks, taking advantage of discontent among peasants, craftsmen and small traders. As for the under-developed countries, Moscow's slogan is simple: don't get involved with the common market, if you want to avoid the plague of "neo-colonialism" and get on with the industrialisation of your country. Two methods of "resisting" neo-colonialism recommended by the Russians are the setting up of a state monopoly of foreign trade, and state control of capital movements.

The common market presents the Soviet block itself with some economic problems. One of its first reactions has been to speed up its own economic integration (see *The Economist*, September 15th). Commercial questions arising out of western integration are likely to be tackled pragmatically by the communist planners. They will advocate international economic conferences and plead for most-favoured-nation treatment. They will use convenient commodities, such as oil, and the prospect of big markets to find chinks in the external tariff of the common market. If they fail, and the trade terms nevertheless remain tempting, they will make deals on a block-to-block basis, a prospect that Mr Khrushchev himself has contemplated in his recent article in *Kommunist*.

Changes in the balance of power within the Atlantic alliance confront Mr Khrushchev with a more fundamental decision. To judge from Soviet descriptions, he believes himself to be faced with a choice of two evils. One possibility is that the United States will maintain, or regain under a new form, the leadership of the Atlantic world. It may also restore the economic balance by shifting some of the military burden on to prosperous European shoulders. This, as seen from Moscow, is the purpose of President Kennedy's scheme of "interdependence." His plans, however, are expected to be resisted both at home—from industrialists fearing European competition—and in Europe.

It might have been thought that the appearance of any centrifugal forces in Nato would delight the Russians. But in communist eyes the European Community looks even more sinister than the American devil. Dominated by German militarism, it is an "instrument of the cold war"; it is opposed to disarmament, to an agreement over Berlin or to any other form of relaxation. The west Germans are, in fact, using European integration as a means of obtaining key commands within the Nato forces.

It seems that in Mr Khrushchev's view the growth of a German-dominated Europe is the greatest evil. In that case his belief that the American hold on Nato may be slipping might have the paradoxical effect of precipitating, rather than slowing down, Russian efforts to come to terms with the United States. The Russians seem now to be arguing that it might be necessary to press ahead with a deal with the United States while at any rate its nuclear leadership is still undisputed in the western world.

Doubtful Victory in Aden

FROM A CORRESPONDENT

IF nothing goes wrong between now and March 1st next year, Aden colony will by that time be united with the substantial part of its hinterland that consists of the eleven-state federation of South Arabia. This is the essential result of Wednesday's vote in the Aden Legislative Council whereby the London White Paper plan for the merger of Aden with the federation was approved. The approval of the federal government and of Britain is not in doubt.

Nevertheless there is little cause to celebrate this achievement in Aden, for it was the fifteen member rump that remained after the walk-out of seven members (plus an eighth who was disgusted by the acrimony of the debate) which voted acceptance of the plan, and this rump included five British *ex officio* members, two Euro-

pean nominated members and five ministers who were already committed to support.

The People's Socialist party, which is the political wing of the powerful Aden trade union congress, is in active opposition outside the council and was responsible for Monday's disorders in which one man was killed and several injured. If these disorders were much less than most people expected, this was due to the restraint of both police and populace and does not justify the government's claim that only 3,000 Yemenis were involved. Aden was just about brought to a standstill and if it had not been for a well executed plan of the police and supporting British troops, which prevented the separate mobs from coalescing outside the council building in the central Crater area, a much more dangerous situation would certainly have occurred.

The small bourgeois moderate parties represented by the seven opposition members who walked out of the council, and the more extreme left wing represented by the PSP, cover the greater part of the active political life of Aden. It may be argued that political parties have little meaning here: but there is no escaping the fact that the moderates have been driven on this issue into a common front with their natural enemies, the People's Socialist party. This leaves the small party of Hassan Aly Bayoomi, who expected to be the first prime minister of the coming Aden state, and the other four ministers in splendid but uncomfortable political isolation.

In the turgid murk of Adeni politics these men stand exposed in the light of a British commitment, and no one in London, even if ignorant of the innate potential for savagery in the *souk*, should in the conduct of future policy lightly shrug off their responsibility for the security of these men. Bayoomi, a bold man in the fashion of Arab politics, has already a dossier of threats, and all have been tested in recent days by some villainous forms of intimidation.

YET what is startling in this affair is the absence of fanaticism. Everyone agrees in principle with the policy of federation and no matter what they say in public, very few people, all the way from the PSP to the moderates, really demand the removal of the British military base, the stability of which lurks at the centre of British official thinking. A leader of the PSP told your correspondent that he had called for the soldiers to quit Aden but that the "independent Adeni government might feel justified in revising this policy." Violent anti-British sentiment is not common here. And among the opposition there is plenty of ministerial timber. The opposition contends that it was not taken into the government's confidence and did not expect a *fait accompli* from the London conference. The government contests this, but the fact remains that somewhere along the line a collapse of confidence occurred.

One or two of the opposition group may find their reputations illumined with unbecoming clarity when the report on municipal corruption is published shortly, but others stand high and stay high whatever they may have said from time to time about Britain. Ali Mohamed Luqman, a poet who celebrated on Wednesday his eldest son's nine credits at O level as a first step towards London University, Abdullah Ibrahim Saidi, a popular and intelligent ex-minister, Badul Qawi Maccawi, a trusted and able director of a commercial firm, and perhaps Abdullah Asnag, who was due to emerge from prison on Friday, the efficient, intelligent and doubtless infuriating leader of Aden's TUC—there are not enough of such people in Aden for the new state not to need them at last. Leaving aside Asnag for the moment, a compromise should have been possible at a price worth paying for their support.

Some say the opposition will die away now that the White Paper is approved. Others say that new and more subtle or extreme forms of conflict will emerge. But the real issue is whether enough co-operation can be secured to make the execution of what is really an essential fusion of Aden with its hinterland a welcome and progressive policy.

Why Burgundy is Dear

FROM A CORRESPONDENT

SUCH was the fuss about the French vintage of 1959 that many were convinced that here at last was "the year of the century." Now that the wines of 1961, the red Burgundies at any rate, are turning out just as good, words and adjectives begin to fail the publicists; for who will now believe that there can be yet another "wine of the century" only two years after? Yet these Burgundies of 1961, the whites being bottled now and the reds to be bottled a year from now, require no bush. With the crop relatively small, and the demand for good wines from Burgundy so great, every bottle is certain to be disposed of; the more noted types and names, at high prices.

Since the end of the war, in the vineyards of the Côte d'Or, that sloping line of low-lying hills stretching south from Dijon to some miles past Beaune where all the great Burgundies, except Chablis, are grown, the emphasis has centred more and more upon estate bottling: the maturing of the wine by the vigneron in his own cellar and its bottling by him under his own label. This method on the whole makes for quality. American importers have been among the first to recognise this, and their advertising stresses the advantages of estate bottling. In Britain the terms of post-war reductions of duties favoured the import of Burgundy in barrels or casks for bottling by merchants in England. Wine-lovers in both countries face the fact that demand is clamorous from dealers and restaurateurs in France, Belgium, Switzerland and Germany, countries by long tradition consumers of red Burgundy. Supplies are hoarded, or pre-empted; some Belgian merchants, for instance, own their own vineyard plots on the Côte d'Or. Buyers from London or New York have little chance of getting the good wines cheap.

Succeeding French governments in the past two decades have passed laws to regulate, with increasing strictness, the production, labelling and sale of these wines. There is now virtually no chance of adulteration of a vintage from a properly demarcated plot, if it is sold labelled in this way, with the authorised title (Chambertin, Meursault-Charmes, Riche-

bourg, etc.) and the wording "appellation contrôlée" above the title. Each such case or cask of wine sold has to have a control form attached by the local fiscal agent, who lives right on the spot even in the smallest village, and heavy are the fines meted out to any grower who can be proved in this way to have sold more kilolitres of Burgundy than his own vines actually produced in a given year. This enforcement of the law has given buyers new confidence. And with greater trust, comes a willingness to pay higher prices.

BECAUSE these controls do not allow production to expand into other acreages than those already classified by law and tradition, the supply of fine Burgundies may now never catch up with demand. Indeed, it could happen only if a number of bumper years of good vintages were to follow in quick succession, a thing that the climate of this north-of-centre province of France is too fickle to permit. There are years when frosts in late spring or early autumn kill most or many of the grapes; in others too much rain and too little sun bring a wine with too little alcohol or too much acid. In 1959, by exception, the weather was uniformly favourable, with great heat at the right moments to add just the proper amount of sugar and substance to the fruit.

In 1961 the sun brought on the grapes to perfection in maturity, but vagaries of weather early in the season greatly diminished the yield. As for 1960, there was much cold and damp, and much mediocre wine to be sold off in bulk to merchant-shippers, to be mixed with non-vintage Burgundies and sold under the ordinary regional label of "Bourgogne." This practice of down-grading wine is permissible, as long as the mixture is with other wines of the same region made from the authorised grape varieties.

Burgundy is unlike the Bordelais in that it has few if any great estates. It is a province of small proprietors. Some merchant shipping houses may have



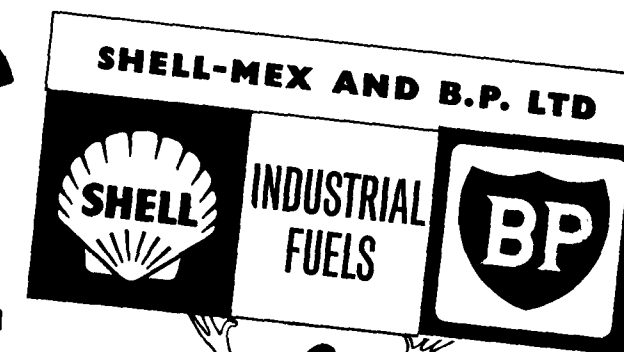
extensive properties, but in scattered allotments. The farmers, too, rarely have concentrated holdings. A typical example is the well-known Bâtard-Montrachet, which contains 56 acres divided between some fourteen principal owners and a few minor ones (the latter having only a row or two of vines each). These men will have additional plots in other vineyards, some adjacent, some in other parishes; but a grower in one of these villages with more than twenty acres in vines would be exceptional. Most of these are family enterprises not much above the peasant level, although with a new car in the courtyard, a tractor in the barn and a refrigerator in the kitchen, the households now enjoy rapidly rising standards of living. Many remain peasants in the sense that most of the family continue to work in the fields, for surplus labour is hard to come by, although townsfolk and students from the university of Dijon and elsewhere come in to fill the gap at harvest time.

BUT despite this way of avoiding high labour costs, there are still high costs to be met. To start with, the capital costs are high. Many farmers, with savings and the help of bank and other loans, have been buying more land, and the maximum prices for it can be tremendous today. A small portion of the famous Chambertin vineyard was sold for more than £8,000 an acre last year; the buyer was a local man. Money is spent on improved techniques, on fertilisers and chemical sprays and on more modern equipment in presses, filters and *éggrappoirs*. (*Éggrappoirs* are rotating machines which separate the grapes from the stalks and stems. As each owner becomes more prosperous, he also achieves more independence in the marketing of his wine. If he does not get his price—and the auctions in Beaune and the trade lists tell him what he can ask—he simply holds his product in bottle until other buyers come next year and pay what he asks. Few bargains can be picked up along these pleasant vineyard slopes.

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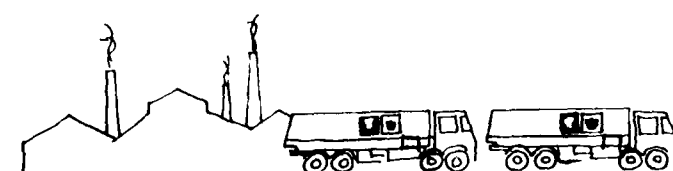
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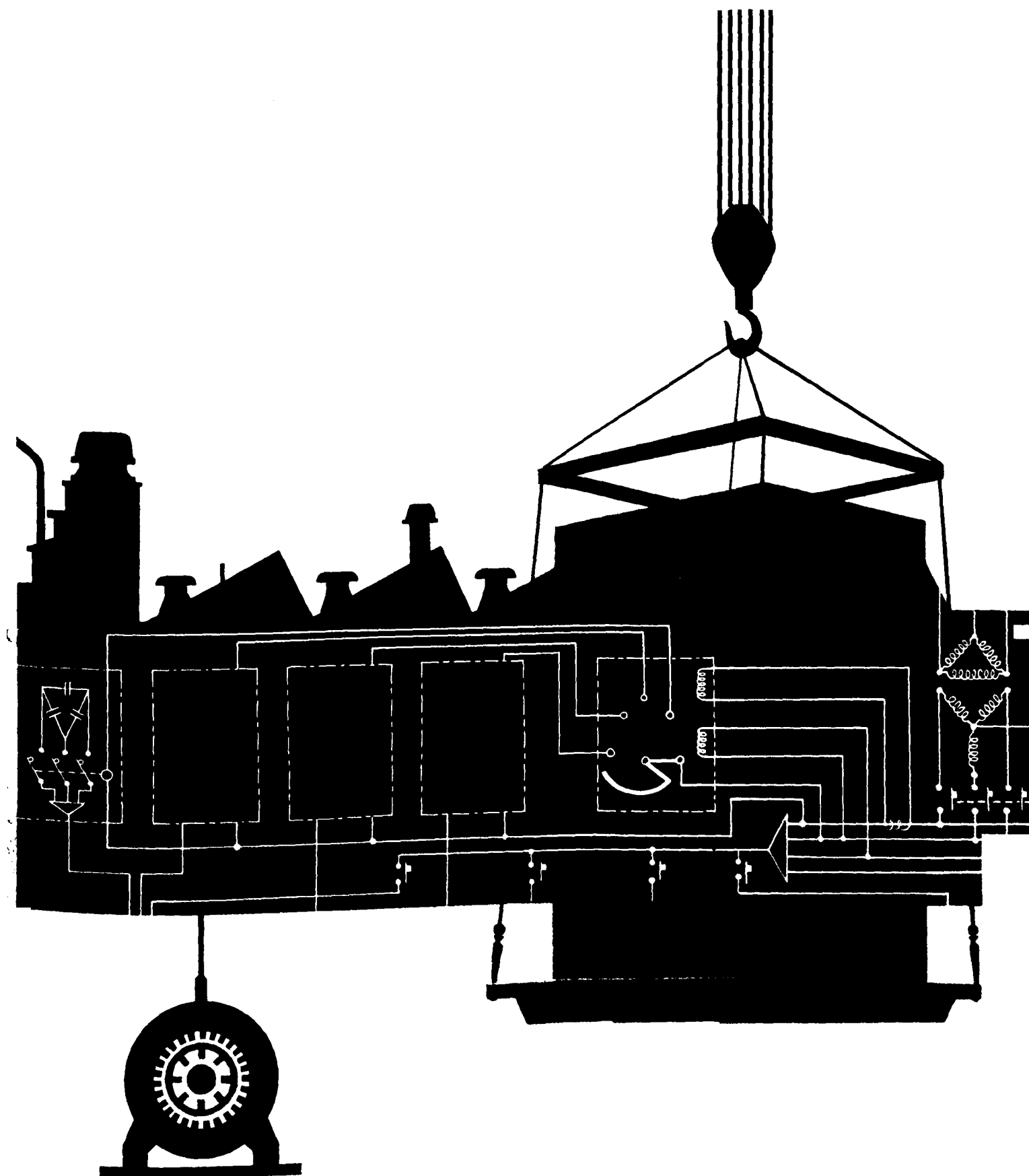
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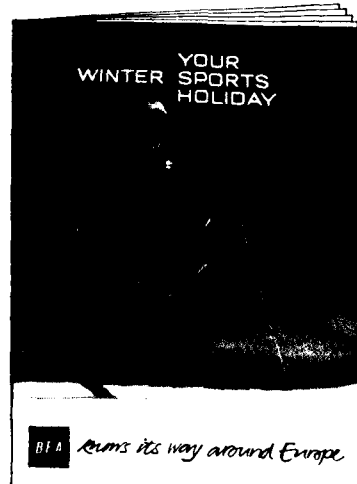
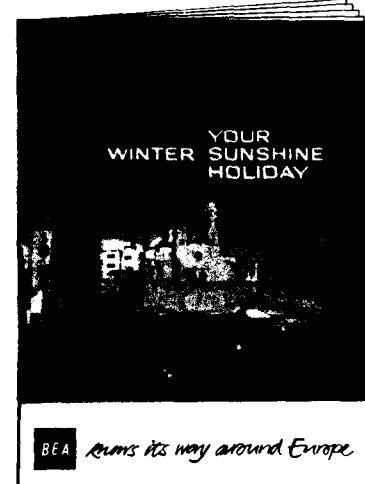
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Pouring the Cornucopia

Distribution in Great Britain and North America

By Margaret Hall, John Knapp and Christopher Winsten.

Oxford University Press. 246 pages. 63s.

THIS is the most thorough and comprehensive international comparison of structure and productivity in the distributive trades yet to be undertaken. The project, first conceived by Lady Hall in 1953, is based on the censuses of wholesale and retail trade in the United States (1948), Canada (1951) and Great Britain (1950). The analysis, which had to be preceded by a careful work of "reconciliation" to reduce elements of non-comparability between the different censuses, includes much that is unexpected and will provide material for discussion for years to come.

The field as a whole is first examined, and attention paid to differences in the size and number of shops, taken trade by trade. Then comes a section headed "some conceptual problems," in which the authors discuss efficiency, the concepts and measurement of distributive output and input, and economies of scale. The rest of the book—the most exciting and original part of it—is devoted to detailed international comparison in selected trades.

For the retail food and clothing trades there are separate tables for size of shop, share of chains, and other variables, for the nine American regions, eleven Canadian provinces, and eleven British regions. Each table gives a breakdown by size of town and region, the regions being arranged in order of income per head. In the food trade, the size of shop is found to have been considerably lower in rural areas than in towns, largely because they contained fewer chains. In the poorer regions, the size of shop rose with the size of town, but in the wealthier regions of America the authors discern a "reversal effect," inasmuch as the largest size occurred in medium-sized towns and there was a decline in the largest towns. This they attribute to increasing specialisation by shops in these places, associated with an increase in the proportion of independent shops to chains.

There are, however, weaknesses in this analysis. Most of the differences in income between the British regions are of doubtful significance, and the regions could more usefully have been grouped into three income-classes. The town-size differences, too, are not always significant: for example, Croydon and Wandsworth come in the largest town-size, while Oxford Street and Piccadilly are put in "smaller" towns.

The climax of the volume is an attempt, in respect of the grocery and clothing trades, to relate sales per person engaged, and such aspects of structure as the share of the chains and the average size of shop, to three "environmental variables": income per head rate of growth of population over the previous twenty years; and the ratio of urban to rural population. Relationships are first established on the basis of the figures for each of the states in America, and those for the British regions and Canadian provinces are then examined to see whether they accord with the American findings.

This is an obvious case for multiple regression analysis, and the most curious feature of the book is that the authors have relegated this powerful instrument—which they call "rather mechanical," "too inflexible," and its results "too summary" and "crude"—to a brief appendix. Instead, they have relied on the examination of three-dimensional models, reproduced in the book by quasi-perspective drawings, the dependent variable being indicated by the height of rods rising from a surface. Two of the independent ("environmental") variables are measured on the surface, and the third is indicated by the colour of the rods.

Although the models highlight certain interesting deviations from typical values, this crucial decision in respect of statistical method is regrettable. The data as presented by no means always support the conclusions drawn from them in the text. Statements are constantly made whose significance, in a statistical sense, is doubtful, and the reader might feel much greater confidence if the normal approach had been used. The appendix gives 24 regression equations based on American data. But these do not cover all the relationships examined; some states were omitted if they did not fit; and the coefficients are only given to one significant figure.

However, some of the conclusions are clear. American productivity in the grocery trade was half as high again as the British, and in the clothing trade nearly twice as high. In part, this is because of Britain's lower income per head, slower population growth, and higher population density. Even so, this country suffers from having shops smaller than one would expect, and only comes out as well as it does because the chains here have a higher proportion of the trade.

In such a major work it is sad to observe minor blemishes: the occasional statistical slip; the table with no indication of the unit to which figures refer; and the spoor of a gremlin with the special function of

producing sentences saying the exact opposite of what they are intended to (there are examples of all three on pages 52-53). The book would also have benefited, when it was being finally assembled, from a scrutiny designed to standardise terminology and the treatment of statistical tables, and to eliminate tautological statements and slips of English. Nevertheless it is a handsome volume; and the magnitude of the work lying behind it, and its boldness of conception, make it a landmark in the history of distributive studies.

First Laureate

The Life of John Dryden

By Charles E. Ward.

North Carolina University Press. London: Oxford University Press. 388 pages. 45s.

DRYDEN had some interesting things to say about biography, though he never, among his multifarious literary activities, attempted to write one. No aspect of the historian's art appealed to him more, and he did not underrate its difficulty. He realised, long before it had become a commonplace, that readers particularly enjoy the small homely details that reveal the hero in his unheroic aspects, and he saw too how much simpler it is to write the life of a man of action than a man of learning.

Dryden himself is by no means an easy subject for a biographer. There are long stretches of his early life unaccounted for; he did not keep a journal; and, though at the peak of his fame as poet laureate and historiographer royal he was at the centre of London life, he was not the kind of man to leave a strong impact of his personality on his contemporaries—not at all like Dr Johnson in this respect. On the other hand, he did incorporate in his many prefaces, dedications and critical essays quite a number of personal passages, and he was embroiled in several literary and political wrangles, so that there is a good deal of evidence that can be pieced together by a patient biographer.

Dr Ward, professor of English at Duke University, North Carolina, has spent many years in accumulating the material for this fully documented "Life," and he has produced an admirably balanced book. It is authoritative without being pedantic. Scrupulously refraining from unsupported conjecture, Dr Ward nevertheless manages to keep his narrative going, and he writes with an unobtrusive ease and grace that presumably derive in some measure from long familiarity with one of the very greatest masters of English prose.

Dryden has sometimes been denigrated as an opportunist, a time-server, a turncoat. What grounds there are for such charges are made clear enough in this biography, but they are shown to be meagre. The qualities that stand out in this full-length portrait are shrewdness of judgment, a great capacity for hard work and a sceptical temper of mind. There was always plenty of humour, too, and a generosity that saved

his satire from any touch of spitefulness. His hope was that posterity would "consider me as a man who have done my best to improve the language." It was a hope grounded in the knowledge of work well done, and it has been fulfilled. Whether many people do now read Dryden for pleasure may be doubted, but for the discriminating there is much pleasure to be had; for in spite of occasional bombast in verse he never writes clumsily, and when he is at his best he combines vigour and elegance in a way that compels delighted admiration.

Society and the Child

Centuries of Childhood

By Philippe Ariès. Translated from the French by Robert Baldick.

Cape. 447 pages. 42s.

It is a pity that the alliterations have led to such a free rendering of the original title of this work, *L'Enfant et la vie familiale sous l'ancien régime*. The reader who expects a charmingly nostalgic tour through nurseries that once rang to the shouts of long-vanished children will get a great deal more and a great deal less than he bargained for. It is not the child, as such, that interests M. Ariès but the child as the passive expression of various social and moral ideas. Not the scampering of little feet but the ponderous tread of the bourgeoisie on the march is the sound that reaches us from the corridors of time. The book, in short, is not so much about what children did and thought as about what was done to and thought about them from the middle ages to the nineteenth century. The child as he appears in general literature, in journals, memoirs, letters, above all as he appears in painting and sculpture, is used as a clue to the unravelling of the tangled motives of his elders. It is an interesting and original approach to the history of social ideas.

Precisely stated, the author's argument is that in the middle ages the concept of childhood did not exist. The appalling rate of infantile mortality rendered that part of life which preceded maturity so dangerous and uncertain that the sensible thing to do was to get through it as quickly as possible. This anxiety led our medieval ancestors to treat their children as if they were mature at an absurdly early age. Telling evidence of this desire to suppress the unwelcome fact of childhood is supplied from iconography: the infant Christ is represented with the muscular development of a tiny man and such children as appear fully dressed are wearing exactly the same turn-out as their elders. This determination not to recognise any distinction between the child, the adolescent and the adult resulted, logically enough, in the absence of any relation between the content of education and the age of the pupil. One might, one often did, spend years grappling with Latin grammar before one had learned to read and write.

Not the least absorbing passages in this book are those the author has based on the journals of Thomas Platter, who himself experienced this system. It was thus the application of more rational methods of education in the sixteenth and seventeenth centuries that, as it were, created the categories of childhood and adolescence. The family group, so beloved of seventeenth century painters and their patrons, seals the recognition of independent status and in so doing presents a new view of the family as an island entire unto itself. It is, in the author's opinion, a disruptive view. The old society had aimed at breaking down the barriers between youth and age, between noble and simple, between rich and poor: the new by its concentration on privacy and comfort, two dominant characteristics of a life centred on the family, has divided class from class and destroyed the promiscuous unity of traditional social intercourse. As in so much else the aristocracy and the poor have proved the strongest redoubt of conservatism. The triumph of the new concepts has been the triumph of the middle class.

Such is the author's theme and he develops it with originality of observation and wide, if uncertain, learning. Such an interesting, well-written, handsomely produced and beautifully illustrated book deserved a sounder scholarship. The misstatements of fact about English education on page 313 are inexcusable and though these are the worst lapses there are others. The references, again, are not always adequate. The translation by Mr Robert Baldick is distinguished and fluent though one could have dispensed with such adjectives as "sclerosed" and "gyrovagous," as well as the linguistic bastardy of "polyvalent." And what is meant by "the Oriental liturgy" (page 344)? The Eastern? If so, why not say so? Such criticisms are only worth making where, as in the present case, both author and translator have given such abundant proof of superior powers.

Out of his Depth

Congo My Country

By Patrice Lumumba. Translated by Graham Heath.

Barrie and Rockcliff. 224 pages. 22s. 6d.

IN a foreword that is not free from hypocrisy the Belgian publishers of the original edition of Patrice Lumumba's book explain that the manuscript reached them in 1956. He was then a little-known provincial *évolué*, only recently dedicated to the cause of African nationalism, and there can have been little incentive at the time for a Brussels publishing house to propagate his views. The author's brief and violent public career, his posthumous fame, and especially the brutal manner of his death, give his political credo an added interest, but as revealed here in moderate, even deferential language it does nothing to explain the kind of man he had become in the few tragic weeks of power when he and

his works were lost in the gale of the Congo—a gale he greatly helped to fan. Did Lumumba, the man who publicly insulted King Baudouin when they shared the same platform on Independence Day, and cried: "We are not your apes any more!"—did he really write the following 'Appeal to the Belgians' only a few years before?

Dear fellow citizens: you have set your hand to a magnificent and humanitarian task in Africa which, today, is crowned with success: this work is not completed and there is still a tremendous amount to be done. We are only at the first stage. Our gratitude to you is not merely a courtesy; it comes from the bottom of our hearts.

The answer is that he did. In itself the breach of protocol on a formal occasion was not important; and the King was doubtless ill-advised to come when Congolese resentments matched the humiliations they had suffered at Belgian hands. But Lumumba's outburst, on his first day as prime minister, was an indication of how little this unbalanced man was fitted to bring stability to a country soon to be torn by tribal rivalries and personal feuds.

In repose (if that is the right word to use of so volatile a personality) Lumumba resembled to a remarkable degree a praying mantis; he had the same gaunt skull and fiery eyes, the same long legs and the crouch of a jumper. He could remain immobile for long periods while events swirled past him, or leap off at a tangent without warning. It was to him that M. Van der Meersch, then Belgian Minister for African Affairs, decided, after changing his mind twice, to entrust the destinies of the Congo. It was clear to any dispassionate observer that Lumumba, for all his gifts as a village rabble-rouser, was out of his depth: he was too small for the job, and the stakes were too high. He so far lost touch with reality as to appeal successively to the United States, the United Nations and the Soviet Union for armed intervention to be rid of the hated Belgians. When the UN forces did arrive he saw himself as their commander-in-chief. There is a certain irony in the fact that his one well-meaning African friend who counselled caution in those critical days was Kwame Nkrumah. Finally, when his own army and most of his colleagues turned against him, Lumumba's character disintegrated; drink and drugs completed his downfall. Congolese nationalism deserved better than this.

Sunset?

The Commonwealth Challenge

By Derek Ingram.

Allen and Unwin. 291 pages. 30s.

THE Commonwealth, at this rather late stage, has suddenly inspired quite a spate of descriptive books. The assiduous reader by now realises that there are dozens of Commonwealth organisations, both private and inter-Governmental, and that these organisations are even being added to. Yet, as Mr Ingram points out in his book, hardly any Commonwealth, as distinct from British, history is taught in Britain's schools.

While European culture is reasonably well known to the Indian and African intelligentsia, the average interested Briton may have heard of Benin and of the Taj Mahal, but of little else. It is partly because the traffic has been so much one way that it is difficult for Britain to adopt gracefully the role of equal member, to exchange the hub for the circumference.

The greatest problem faced by the Commonwealth is the problem of what it is to become. Obviously the economic links are weakening. Equally obviously, the human connection created by thousands of district officers, teachers, senior civil servants, army officers and the like is already very much reduced. It is true, as the author points out, that, the army apart, there are more Englishmen in India today than in 1947, but there are also more Americans, more Germans, more Russians. The connection is no longer almost exclusively with Britain.

Mr Ingram is too honest to dodge the common market issue. His book appeared before the recent prime ministers' conference, but he describes the massive distrust expressed at the Accra finance ministers' conference, and he admits that the relationship between Britain and the rest of the Commonwealth will change. Surely, however, it is much too sanguine to conclude that "the Commonwealth is too firmly rooted in the hearts and minds of its members for the damage to be lasting."

For this is exactly what is in doubt. Undoubtedly Mr Nehru and President Ayub Khan and Dr Nkrumah appreciate some of the benefits that Commonwealth membership still carries. But is the concept of Commonwealth "firmly rooted" in the hearts even of the British people, let alone the Indian villager or the Nigerian peasant? Nor should one underestimate the tension within the Commonwealth, tension increased by such shabby manoeuvring as that involved in the recent Immigration Act.

Mr Ingram writes easily, and he does not always delve very deeply into the problems. That is perhaps not the intention of the book. Where there is a choice to be made, as in Central Africa, he makes the right one. He is a sympathetic and tolerant observer. But whether the sympathy and tolerance throughout the Commonwealth, Britain included, is as profound is Mr Ingram's own, one begs leave to doubt.

People, Not Princes

The Medieval World: Europe from 1100 to 1350

By Friedrich Heer.

Weidenfeld and Nicolson. 378 pages. 50s.

AS its title implies, in this book Professor Heer is not concerned to provide a continuous narrative of the events of the years 1100 to 1350. His aim is rather to depict the social and intellectual conditions that form the background to that narrative,

and to describe the forces which, during the period, were working changes. He is interested therefore in the roles and attitudes of large social groups, rather than in the fortunes of individual popes and princes. This approach, which seeks to view medieval history through the eyes of subjects rather than sovereigns, is all too rarely adopted in general surveys of the period. The result is a consistently planned work of considerable interest.

Professor Heer's main theme is the process by which the free spirit of the "open" twelfth century was regimented and canalised, until in the late middle ages Europe had become a closed society, cut off from social and intellectual influences from outside. Everywhere he sees similar forces at work: nationalism sealing the once fluid frontiers; the discipline of orthodoxy introducing a new rigidity in religious belief; stereotyped literary forms cramping free expression and stereotyped social norms cramping social relationships. All his sympathies are clearly with the groups that were depressed or excluded by these forces—the Cathars, the Jews, the women. He has a feeling for the emotive and colourful in history, which makes his argument attractive reading.

What is questionable is whether the picture he draws is a wholly accurate one. Is it, for instance, true that Froissart's chronicles furnish "unmistakable evidence" of the growing strength of nationalism? Most historians have regarded them as testifying rather to the international spirit of chivalry in the fourteenth century. And is it fair to describe the later middle ages as markedly less amenable to feminine influence than the "open" twelfth century? The careers of such famous women as Joan of Kent, Catherine of Siena, and Christine de Pisan suggest that they were not entirely so. Professor Heer's strong sympathies make his book very readable, but when they become partialities they sometimes mar its balance as a historical survey. They obscure the degree to which the apparent diversity of social and cultural forces in the twelfth century was due to the importance of local conditions in an era when centralised institutions were undeveloped. In consequence he does much less than justice to the cosmopolitanism and the international European culture of the fourteenth century.

Foggy Bottom Guide

Foreign Affairs and You!

By Andrew Berding.

Doubleday. 264 pages. \$4.50.

THE exclamation mark in the title is misleading. Mr Berding, who was head of the State Department's public relations branch in the latter part of President Eisenhower's Administration, is not making one of those oversimplified clarion calls, *à la* Kitchener, inviting the man in the street to rally round the Secretary of State. This is

a description of how the machinery of American foreign policy works—written for a popular audience, certainly, but shrewdly and carefully written for all that, and containing some thoughtful observations on the end-product of the machinery.

Mr Berding starts by describing the process by which a particular course of action is formulated within the State Department, and how it subsequently has to be steered past the Cerberus-heads of other departments, and of Congress. This is a fascinating section for foreign readers, who may not appreciate the extent to which the State Department is constrained by other sections of the American government. He then turns, in rather lighter vein in parts, to the mechanism by which decisions are put into effect abroad. If not exactly breaking new ground, this is done with a swing; apart from one or two possible sources of verbal confusion (Mr Berding constantly uses the rather grand phrase "a foreign policy," where "initiative" might be a better word to describe, say, a decision to give foreign aid to a new country) it is a valuable guide for bemused laymen.

The professional will find Mr Berding most rewarding in the passages where he turns from description to comment on the basis of his own experience. He thinks that the creation of the National Security Council in 1947 has added yet another government body to the list of groups that infringe the proper primacy of the State Department in foreign affairs; he believes—and most foreign observers in Washington would support him—that the President should now seek to restore the department's leadership. He is convinced that it was a mistake for President Eisenhower to take responsibility for the U-2 affair in 1960—not for the usual reason (that it led to the break-up of the summit meeting) but, what is much more important, because it prevented Mr Eisenhower from visiting Russia, a visit that might have had powerful effects on east-west relations. There is nothing of the conventional official about Mr Berding. He wants the United States to let visiting Russians travel where they want, and never mind the restrictions Russia imposes on visiting Americans. How right; and, one must say, how uncharacteristic of official American responses to the cold war.

One could have wished for rather more examples to illustrate the points Mr Berding makes. But the main value of the book is the flavour it gives of the author, the flavour of a certain kind of peculiarly American public official whom other foreign ministries could do with more of. The breed is not necessarily brilliant (brilliance is a quality that Mr Berding thinks diplomacy can get along all right without), but it is hard-working, unselfconscious and sound of instinct. The popular image of the cookie-pusher in Foggy Bottom, the State Department's Washington home, gets a proper corrective in a book which, written neither for the expert nor as propaganda, covers some useful middle ground.

OTHER BOOKS

ADVERTISING AND HUMAN MEMORY. By R. P. Kelvin. *Business Publications*. 64 pages. 10s. 6d.

This admirably clear and sensible little book is the sort of elementary statement that ought to be made more often for the benefit of the advertising business. It presents briefly and objectively, without resort to the jargon either of psychology or of advertising, an outline of the connection between advertising and human memory. The moral, for there is a moral and again it is one that should be drawn more often, is that the advertising business is less to blame for its alleged sinister power in manipulating the minds of consumers than for its incompetence and wastefulness in performing some simple selling functions. Dr Kelvin, a well qualified psychologist, is to be thanked for this contribution to efficiency. So is the enlightened firm of poster contractors that, not for the first time, has sponsored a useful piece of practical research. The only note of advertising nonsense is the faintly nauseating suggestion opposite the title page that the publishers too were performing an act of public service in selling this book of less than 70 pages of large print for 10s. 6d.

THE KEYNESIAN SYSTEM. By D. McCord Wright. *Fordham University Press*. 104 pages. \$3.00.

These five lectures, which were given at Fordham University, provide a useful introduction to Keynes's "General Theory." The author may not secure complete agreement with his own views, but since they are clearly distinguished from Keynes's they add to the interest of the lectures without detracting from their utility.

ARCHBISHOP LAUD, 1573-1645. By H. R. Trevor-Roper. *Macmillan*. 479 pages. 30s.

This second edition of the biography published in 1940 is, apart from some minor corrections, a reprint of the first. In the new preface the author explains the changes he would have made had he rewritten his book. He would not so firmly equate Calvinism with capitalism and, though he might take a more kindly view of Laud as a person, would be even harsher on his ideals. He also notes the works of the last two decades which would amplify his study, notably Mr Christopher Hill's "Economic Problems of the Church." This book will continue to irritate some Anglicans; other readers will find it illuminating and entertaining.

BIBLIOGRAPHY OF STATISTICAL LITERATURE, 1950-1958. By M. G. Kendall and A. G. Doig. *Clarendon & Boyd*. 369 pages. 63s.

ENGLISH FURNITURE, AD. 43-1950. By E. T. Joy. *Batsford*. 95 pages. 18s.

Mr Joy will be known to some readers as a contributor to *The Connoisseur*. Here he has condensed his knowledge of furniture into a short readable introduction to the major changes in styles and kinds of furniture, showing how these have been largely determined by the changes in social conditions. The photographs and drawings are excellent.

BRITISH AIRCRAFT, 1809-1914. By Peter Lewis. *Putnam*. 590 pages. 63s.

The latest in Putnam's encyclopaedic series on British aircraft includes such oddities as Miss Lilian Bland's Mayfly of 1910. Miss Bland threw up what might—who knows—have been a promising career as aircraft designer cum test pilot for love, marriage and emigration to Canada.

STATE AND LOCAL GOVERNMENTS. By R. W. Maddox and R. F. Fuquay. *D. Van Nostrand Company Ltd.* 722 pages. 60s.

For students who wish to penetrate into this little-known territory this college textbook provides a detailed, if not very stimulating, guide and useful bibliography.

LETTERS

Liberals on the Move

SIR—Your Special Correspondent at the Liberal Assembly states that "the Liberal Party has committed itself to a policy of thorough-going syndicalism." My dictionary defines syndicalism as having as its object "the transfer of the means of production and distribution from their present owners to unions of workers." This is not the policy of the Liberal Party.

What the assembly did decide was to call for the recognition of the established employees of all public companies as members of their companies with the right to participate in the ultimate control. This latter right is to be made effective by a measure of employee representation either on the board of directors or on a joint management council, a body similar to the *Aufsichtsrat* in German industry. The object of the policy is to create an effective partnership between capital and labour. Such a policy can only be described as "thorough-going syndicalism" if words are to be used by special correspondents of *The Economist* in the same way that they were used by Humpty Dumpty in "Alice through the Looking Glass."—Yours faithfully,

DESMOND BANKS

Chairman, Liberal Party Executive

Harrow

SIR—In the report of the Liberal conference in your issue of September 22nd your correspondent described me as "a recent bemused convert" who pleaded in vain that the workers were not fit to govern.

Having preserved my political independence until now, I have joined the Liberal Party because I think that on industrial and other matters it is generally giving a lead in the right direction.

At Llandudno I put forward several reasons why established employees in public limited companies should not be given representation on a joint management council or the right to elect directors to the Board; one was that they were not in my experience adequately equipped to manage or direct.

My advocacy failed in its immediate purpose, but I have not despaired of ultimate success. Meanwhile, may I assure your readers that having joined the Liberal Party I remain in full possession of my wits?—Yours faithfully,

ROCHESTER
London, SW1

As She is Spoke

SIR—I was very interested to read of the questionable practices in the schools for foreign students (your issue of September 15th). I attended a private school for

English in London which was recommended by an English teacher in Milan who receives a percentage for every enrolment. As soon as the student arrives he must pay for the whole time (minimum period of one month), a sum which includes tuition, food and lodging. In the event of dissatisfaction with any of these, there is no refund of the payment. The teachers are either young, inexperienced students or very old and often ineffective instructors. Few of them remained longer than a fortnight. Nor was there any proper programme of instruction. Every day the composition of the class was different. The home provided for three students was interested only in the fee paid and not at all in practising conversation. The food provided consisted largely of a diet of potatoes and rissoles. It is clear that almost £150 for three months' instruction was a high price to pay for this experience, and I must thank an English friend for help with this letter. Is there not a necessity for some investigation here?—Yours faithfully,

MILAN D. OLIVIERI

SIR—Your correspondent (September 15th) has produced a choice list of "horrors" from what is currently being offered to foreign students of English. I think it is fair to say that they are not typical of the whole of the work which is being done: very many students go home fully satisfied with their treatment in England, and send their friends to go through the same experience in the same private schools. No school can satisfy every student, but probably no school, of any kind, ever has. I do not think that the good schools in this field, of which there are many, would fear comparison in this respect with universities, colleges and schools generally. What they do fear is the effect on the whole enterprise of the evident diversity in quality of the work now going on. One remedy, surely, is the extension of the system of inspection and recognition by the Ministry of Education. It is open to any school to apply for inspection which will lead to the school's recognition as efficient if it is considered to be satisfactory. By no means all schools have taken advantage of this.

But there are complications. Much of this work is done by private individuals, by "schools" too small to be able to separate their students into graded classes, and by schools which function only in the busy summer period and therefore have no permanent teaching staff. And by the seasonal nature of so much of the work, dilution of permanent staff is unavoidable when schools are under pressure to expand. There is very little specialist training available for those who want to take up the work, and

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too many of the appointments are necessarily temporary, which hinders the development of this as a special branch of the teaching profession.

In spite of all this I think the general position has improved in recent years, but we knew that there is much to be done yet, and still more if the number of students continues to increase as it should—Yours faithfully,

MALCOLM R. CAMPBELL
Chairman, Association of Recognised
London, W1 English Language Schools

Japan

SIR—The author of your survey rightly points out that "90 per cent liberalisation" of imports is not all that it seems. But I think his explanation of what it does mean needs extending. May I try to spell out what I gleaned from a recent visit to Japan?

1. When the Japanese say they propose to "liberalise" imports they mean they will re-classify goods within their import licensing arrangements. They have three main licensing systems:

- (a) Automatic Approval (AA). This corresponds to our "Open General Licence."
- (b) Automatic Fund Allocation (AFA). This means virtually free import, within the foreign exchange budget.
- (c) The Fund Allocation System (FAS)—specific licensing subject to strict control.

When an item is transferred from the FAS to the AA or AFA lists it is "liberalised."

2. When they speak of introducing "90 per cent liberalisation" next October they mean that items which in the year 1959 comprised 90 per cent of the total of private imports by value in that year will be placed in the AA or AFA lists. Thus, if wool accounted for, say, 25 per cent of Japan's 1959 imports and oil, say, 15 per cent and both of these items were in the AA list they would call this (25 per cent + 15 per cent) "40 per cent liberalisation" and so on up to 90 per cent.

In the restrictive conditions of 1959 Japan's imports were, of course, mainly raw materials and other essential items which could not be provided from native sources. As you say, therefore, "90 per cent liberalisation" does not mean that 90 per cent of all that might be imported will be freed from restrictions. Nor, however, does it mean that 90 per cent of any datum volume of imports can be imported. It does not in itself mean any widening of the existing range of permitted imports whatever. It would be consistent with Japan excluding all items which compete with her own products.

I do not ignore the potential significance of the new "Negative List," or the easing of various import controls which is actually taking place. Far from taking a gloomy view I believe there is a growing and influential body of truly liberal opinion in

LETTERS

Japan which if it is matched from our side could lead to an upsurge of business between us over a wide range of goods. But it is important that all those interested in trade between our two countries should have a common understanding of such expressions as "90 per cent liberalisation."—Yours faithfully,

C. G. MONK
Enfield, Middlesex

International Chemicals

SIR—According to an article in *The Economist* of August 25th ANIC is said not to be "entirely unsympathetic" to Nitrex and "may even consider joining." Will you please inform your readers that there is no foundation whatsoever for the assertion that ANIC might join Nitrex.—Yours faithfully,

TITO DI STEFANO
Rome Ente Nazionale Idrocarburi

Grammar Schools

SIR—Are you quite sure that it was Admiral Rickover who was deliberately over-stating a case in praising English educational methods, and not the Ministry of Education's chief inspector in denigrating them? To many in the schools Mr Wilson's remarkable outburst, as reported, must have seemed not a "new breeze" but surprisingly like hot air, and its accidental but effective refutation within the week by the American admiral most nicely timed.

There is, however, substance in what you say about the difficulties facing the lower grammar school streams. They arise largely from the abandonment of the old two-standard School Certificate (pass, and pass with credit) for the one higher pass standard General Certificate of Education at Ordinary Level. This is nearly all, except for the cumbrous names, that remains of the changes intended by the authors of the newer examination, the rest having been dropped more or less quietly, and there is much to be said for this disappearing too.—Yours faithfully,

J. F. ELAM, Headmaster
Essex Colchester Royal Grammar School

Vehicle Testing

SIR—In your comments (September 22nd) welcoming an extension of the vehicle testing scheme you say that there can be no set standard of adequacy common to 14,000 garages and no set procedure among the numberless mechanics who perform the tests. In fairness to the garages and mechanics concerned, may I say that a primary objective of the scheme is to see that the standards laid down are uniformly and efficiently applied throughout the country. Before the tests began, instruction courses for mechanics were run at centres in various parts of the country, but particularly at Hendon. These were attended by some

13,000 mechanics drawn from the testing stations. And the Hendon courses are still open. Apart from this, before any mechanic is authorised to test, he must satisfy a Ministry inspector of his technical competence to do so and also that he is aware of the requirements of the regulations. Testing stations are all inspected periodically and there may be spot checks at any time. Mechanics authorised to test are all fully aware of the standards to be applied. They know, too, that their names will be removed from the list of authorised testers if the Ministry's inspectors have any cause to suspect that those standards are not being applied.—Yours faithfully,

F. D. BICKERTON
Chief Information Officer
London, SE1 Ministry of Transport

Dutch Courage

SIR—The phrase which surprises your Dutch correspondent, Mr Corba, goes back to the seventeenth century and while it could derive from the fact that London owes gin to the Dutch followers of King William III, it is much more likely to be a consequence of the fact that for much of the seventeenth century the Dutch were the enemy. One inclines to this view because the examples of the use of "Dutch" as a somewhat opprobrious adjective are so numerous. There is "Dutch auction," "Dutch uncle," to eat out "Dutch" with one's friends, and many more. A striking example is the sailors' expression "the mark of the Dutchman" for an unwhipped rope or a loose end (no sailor could possibly regard Dutch seamen as slovenly). I am sure Mr Corba is much too civil to tell us the gibes the Dutch have about the English.—Yours faithfully,

NEVILLE BROWN

Highgate, London

SIR—The term "Dutch Courage" is said to have originated among British soldiers, in winter quarters in the Netherlands, consoling themselves with gin during seasonal lulls in the fighting there.—Yours faithfully,

Waterford, Ireland PATRICK J. N. BURY

A Minority Government?

SIR—Your analysis of the tests Liberals should apply if faced with the question which minority government to support (September 22nd) ignores a most important one. Liberals could support only a government pledging itself to bring in a bill which would give the country a fairer voting system, one which would end the virtual disfranchisement of a large part of the electorate. If neither party will commit itself to this Liberals would be fully entitled to use their strategic position and, by withholding support, bring about another election fought on this issue, which is fundamental in a free society.—Yours faithfully,

London, N2 R. DETSINY

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THE BUSINESS WORLD

Europe and the Money Deadlock

WILL the deadlock over reform of the system of international payments soon be broken by the natural development of a new monetary power, a European Economic Community that includes Britain? Mr Robert Roosa, chief policy maker for the dollar, is now hinting that it will, and is thereby glossing over the disagreements over the immediate way ahead that opened up between the United States and Britain at last week's meeting of the International Monetary Fund in Washington. The financial consequences of Britain joining the European common market are indeed intriguing, and deserve more intensive study than they have received so far. Unfortunately they are also, for the immediate future, especially while Britain's entry is in the balance, incalculable; one can consider the consequences of various lines of development, but only guess at which line may be chosen. So if one is worried that the present system of international finance may be a handicap to world economic expansion in 1963 and 1964, the thought of how the common market may have changed that system by 1970 is not very relevant.

The American dismissal of Mr Maudling's tentative and deliberately flexible plan for a new mutual currency account in the IMF, described in these columns last week, is therefore disappointing, and one fears that Mr Roosa's tactics, which have been broadly commendable hitherto, may now be going seriously wrong. The most disquieting element in the American attitude in the past fortnight, exemplified from President Kennedy downward, has been obsession with prestige—that notoriously dangerous intruder into the currency arena. The American authorities appear to be reverting to the *tout va bien* mentality of their Republican predecessors. Any implication, even in so mild a form as that in the Maudling plan, that the reserve currency system may have possible limits and may therefore need to be supplemented in a small way by a new and international form of credit is taken as a slight on the dollar. The dollar, it is held, remains fully capable of supplementing gold as a means of payment, and, with the help of the innovations begun over the past eighteen months as a small beginning to the cross-holding of currencies, it will be adequate for the next five years, if not ten—by when a new key currency will have emerged from the new European grouping. Throughout this American discussion there is a curious and psychologically harmful reluctance even to mention that there is another currency, which Mr Maudling probably had in mind, which fulfils a reserve currency function right now.

These petty irritations produced by myopic thinking on national lines could prove unfortunate for the American Treasury; for Mr Roosa, in his own schemes, is dependent on international support and co-operation. The British

Treasury almost certainly made a considerable (if politically explicable) mistake in not producing its initiative for free discussion with the Americans at a much earlier point this year, before Mr Roosa's own conceptions had hardened. But now Britain has produced a scheme that can be run perfectly well alongside Mr Roosa's. Thus countries that wish to accumulate national currencies in their reserves can still do so, *à la* Roosa; while those that prefer to hold a part of their accumulations in a claim on IMF, *à la* Maudling, can do that. The particular American objection to the Maudling scheme, its provision for a gold value guarantee on these (like all existing) claims on IMF, is not well founded; under the limited arrangement which Britain is now suggesting it would not be possible, as the Americans fear, for countries to turn existing dollar balances into guaranteed deposits with IMF (though what a good idea that would be!).

The American position on guarantees is, in fact, incompatible with Mr Roosa's own aims. How does he expect to get his mutual holding of currencies moving without them? Suppose the United States payments balance remains in net deficit. Are other countries to be persuaded to increase their holdings of dollars in ordinary forms? The American authorities know that dollar holdings of countries like Switzerland have to be guaranteed in effect (as was recently done through the bilateral swap arrangements); and what hope have they of getting Britain to hold entirely unguaranteed dollars at this stage? But suppose, as the American authorities hope, that the American payments balance swings into surplus. Mr Roosa has intimated that his surplus will be taken in European currencies, and this would indeed be an important relief for world liquidity. Does Mr Roosa really intend to build up billions of dollars worth of pounds, marks, francs and lire—all unguaranteed? American objections to guarantees are closely connected with fears of trouble with Congress. What are senators expected to say about Uncle Sam standing at large risk on currencies they can barely pronounce?

IN practice this regrettable and largely artificial division between the United States and Britain on their common problem—how to provide adequate international leeway for speedier domestic growth—is likely to mean that neither scheme will make any substantial progress until attitudes change. Mr Maudling, returning to his weak domestic economy, can only be advised to drive on as intended—and fasten his international safety belt. One hopes that the same will be done by his American counterparts. For the short term, existing lines of credit in IMF and elsewhere are very

likely sufficient to take care of the pound or the dollar, whichever should need aid next; and one has just got to take the risk that they are not. Before very long, unless all the hopes of western economic progress in the sixties are to be discarded, the American attitude will surely change. And a change in attitudes in continental Europe could come about in the context of its own scheme within the common market.

This is the point at which Mr Roosa may have been groping. *But even here no quick results are to be expected. A new reserve currency managed by the common market would entail a pooling of reserves among individual countries in a central reserve union. This was proposed some time ago by M. Monnet's action group. The proposal received a dusty reception among national financial officials. Finance is regarded as the end-process of integration, and practice in the common market so far has certainly not run ahead of the modest stipulations set down in the treaty. There is, also, a particular difficulty about a reserve pool. The contrasting relations between reserves and liabilities in Britain on the one hand and in continental countries on the other makes any proposal for integration appear neat to the reformer but lop-sided to the banker—as a sharing, as one French official bluntly put it to an English visitor, "of our money and your debts."*

This is a big hurdle; but it has recently been suggested that it can be by-passed. M. Raymond Bertrand, deputy director of trade and payments at the Organisation for Economic Co-operation and Development, has proposed that a European institution should be empowered to create credit and deposits which would be available for settlement between central banks in the common market—but could not be exchanged for gold and convertible currencies. "Thus the issuing institution would not have to hold reserves or concern itself with liquidity in the technical sense of the term. . . . The deposits created by a common European institution would form a closed system, which is based on the mutual confidence of the members."* Many central bankers would still no doubt be reluctant to go even thus far; but their "mutual confidence" within the community is stronger than their

*Aspects of European Integration, page 138. PEP, 16, Queen Anne's Gate, SW1. 15s.

Printing Without Hot Metal

PRINTING is still a craft, with all the mysteries that entails; and now one is faced with entry to the even darker mysteries of the electronic world. To produce an image by casting lumps of lead in the form of each letter or symbol was a great invention in the fifteenth century, and a technique that has been developed to remarkable efficiency and speed: to produce a mass-circulation daily paper overnight is its greatest achievement. But after more than a century of experience with producing images by photography, photosetting is just beginning to make a significant impact on the printing industry. Last year there were perhaps 600 photosetting machines in use throughout the world, against the 150,000 or so machines relying on hot metal. Most of both are in the United States or continental Europe.

Of the new photosetting machines, the majority are being used to set books and magazines or for jobbing printing:

mutual confidence within a wider group such as IMF.

Moreover, the central bankers' unwillingness to pass powers over to a common institution, at least on the European scale, should gradually be softened by the slow erosion of their own effectiveness, which is already resulting from the freer movement of funds across national frontiers. "We shall fairly soon reach a point," M. Bertrand says, "when national money markets will no longer be under the control of national governments. . . . centralisation of credit control will be essential in order to give effectiveness and coherence to an instrument of policy which, at the national level, is bound to become progressively weaker."

Quick results, it must be repeated, can hardly be expected from this European front; all that can be said is that Europe's financial authorities are likely to be a little less conservative about setting up a credit creating institution for the common market in Paris than about a credit creating institution for the world in Washington. What Mr Maudling must now ensure is that Britain's weight is thrown behind the progressive, integrationist school wholeheartedly, and not only at those selected points at which there is a clear short-term advantage for sterling. M. Bertrand, from his close range view, has some damning things to say:

Paradoxically, there is a fairly widespread feeling on this side of the Channel that British entry into the common market may check the movement towards monetary integration. This idea is based on observation of the tendencies of British international monetary policy over the last few years, which have been eminently conservative. Britain had reservations about the European Payments Union, and later about the European Monetary Agreement, but was in favour of bilateral arrangements such as the Basle operation; it would certainly have preferred the special reserves of the Monetary Fund to be purely and simply an extension of the quota system.

Mr Maudling's initiative has gone some way to redress the balance. Its poor reception in Washington, among American and European officials alike, should not swing him back now to the old road of *ad hoc* expedients, which is easier to follow but leads nowhere. The integrationist path is not without followers in the common market, and it provides the only long run solution for Britain's international monetary problem.

large circulation newspapers are beyond their reach so far except for advertising plates, since photosetting cannot give the speed they need. But for local papers the technique has a strong appeal as a means of escaping from the rising costs that threaten to overwhelm them, and several weeklies are on the brink of conversion. Bookprinters and jobbing printers are the biggest users in Britain so far; there is probably no bookprinter who is not by now investigating or using photosetting, for these firms make the smallest profits in printing.

The development of photosetting machines has been prolonged; patents are scattered over this century. But practical machines appeared only since the war, and the more elaborate types on which most hopes are pinned have come on the market in the last couple of years—with still more automatic and faster machines promised for the future. For general-purpose printing, there are four machines already in use: the

Monophoto and Fotosetter, which start from a hot-metal machine's keyboard, using the punched tape that they produce to control a photographic unit which itself is based on the structure of the metal casting unit. The Lumitype and Linofilm both use a keyboard like that of an electric typewriter—though with many supplementary controls to select type sizes—which produces a typed copy as well as the punched tape that controls the photographic unit.

The principle on which the photographic units operate is simple, though their mechanism is complex—mechanical on the Monophoto and Fotosetter, but electronic on the Linofilm and Lumitype. All are controlled by the perforated tape so that the right character is placed in front of the camera lens at the right time. In the Monophoto and Linofilm, the characters are carried on flat grids—one in the Monophoto, though this can be changed to give different type faces, and 18 in the Linofilm, providing nearly 1,600 characters—which are moved while the lens remains stationary. The Fotosetter, based on the Intertype machine, sets a line of the metal characters and then photographs them, while the Lumitype has 1,440 characters mounted on a glass disc that rotates at about 600 revolutions a minute, and the photograph is again taken when the right character comes in front of the lens. In all the machines, the type size can be varied by optical means rather than by using bigger or smaller characters. With the Linofilm and Lumitype, around 30,000 characters can be photographed in an hour; this is roughly three times the speed at which a single operator can set on the keyboard. The Monophoto sets 9,000 characters an hour, against say 7,500 for a hot-metal machine if the work is simple.

Speed in straightforward setting is then the first attraction of the photosetting machine. But the flexibility provided by the number of characters available and the ability to switch the sizes at the press of a button is just as important, especially where setting textbooks, magazines or advertising copy is concerned and different sizes are needed on the same page; this gives an even greater advantage in speed over hot metal setting. But speed and economy of man-power in setting do not mean speed in the whole process of preparing

for printing; developing film is still a slow process. These machines are hence too slow to be a practical proposition for a newspaper. But for all other printing, the attraction is there: the greater output offsets the higher capital cost. And in the long run, using photosetting will replace the store of standing type (which for bookprinters is often their biggest investment) with a cupboard full of films. Where a hot-metal machine costs £6-£8,000, a Monophoto costs about £12,000, a Lumitype £19,000, and a Linofilm about £21,700. One newspaper in the United States that uses a Lumitype to set its advertising copy found that the expenses of the department fell by nearly 15 per cent for a slight increase in output. The Monophoto is the machine most widely used in Britain, though it offers little saving on direct setting. The special interest of the bookprinter in these gains is explained by his low profit margins, which average only about 6 per cent on capital.

Despite these economies, to adopt the photosetting machine does involve what is, for the printing industry,

a heavy capital investment; many companies now use old, written-down machinery, and to invest in new equipment might be beyond their means. The combination of high cost and high output of the Lumitype and Linofilm frightens printers, too; though they recognise that these machines would be the most economic if they were fully utilised, they doubt their ability to see that they are when the whole organisation of work is now based on low machine output. And there are still technical problems, of which the worst is correcting. Though in theory this should be simple on the Lumitype and Linofilm, which produce a typed text before the film is made, so that corrections can be incorporated on to the punched tape before it is fed into the photographic unit, for most work a film needs to be made to show what the page will look like. Corrections can then be incorporated on to a final tape, by producing a new one, automatically, on the Lumitype or by splicing in corrected sections on the Linofilm. Correcting does have to be done on the film with the Monophoto, but in this case the film is a thin membrane that can easily be pulled off its transparent backing if it needs to be cut about for corrections, and a corrected line set on a strip of film that can be stuck into place. In the same way the film can be cut around to produce the layout, then replaced on the base for plate-making.

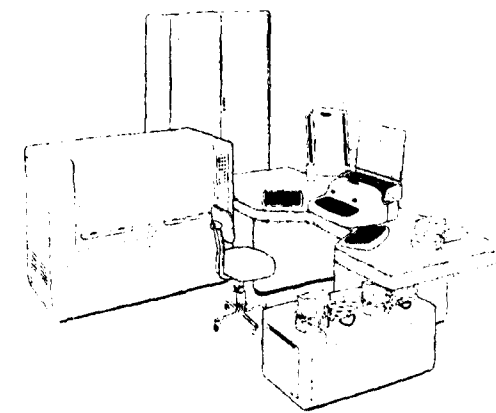
Another photosetting system, the Aller, has been developed especially for printing newspapers and an American company is now installing the first big machine. The Aller is basically similar to the Lumitype and Linofilm, but simpler and even faster. Setting is done on an electric typewriter, the operator not needing to use much skill. Corrections are made on the

punched tape also, before the film is made; and this is a positive, produced at 72,000 characters an hour, to give the speed that a newspaper needs. Make-up can then be done by cutting up the film and placing in illustrations, producing the complete page.

The factor doing most to delay the introduction of photosetting, however, is that it requires the adoption of new printing methods as well if its full advantages are to be realised. The photographic copy can simply be used to make a master for offset lithography,

but it is a costly process to make a block for use with conventional letterpress printing—though the development of photosensitive plastic plates that can be used with rotary letterpress machines may yet prove the best way of combining photosetting with printing. Offset lithography was already gaining ground before photosetting appeared, slowly in Britain but fast in the United States; some American local papers are printed by offset, and this is of more immediate interest to most British local papers than photosetting. The Aller photosetting process is combined with a fast and large offset press, able to work at newspaper speeds; but it is a very costly installation, and needs a special plate to produce the million or more copies needed.

OFFSET in turn gains from the development of photosetting, for it is otherwise necessary to set up the type in metal just to take a pull from which a photographic copy can be made, the necessary preliminary to producing the master plate.



Photosetting provides the photocopy needed directly, and with the easier make-up justifies the use of simpler photosetting machines like the Monophoto, which give little advantage over hot metal in the speed of setting straightforward texts. With the Lumitype, French experience suggests that the cost of preparing the transparent photographic sheet from which the plate is produced can be cut by 25 per cent.

Rotary letterpress is a much faster method of printing than offset, though capital cost is again higher. But it needs a raised image of the matter to be printed to transfer it to the paper. And this is difficult to produce photographically. Much work is being done in the United States, especially by Dow and du Pont, to produce a photosensitive plastic plate that will etch away when treated by a chemical on those parts that have been exposed to light, leaving the print as a raised surface where the plate had been in shadow from the print on the film. But none of the materials under development yet seems to have proved entirely satisfactory, so the photo-polymer plate has to be regarded as a future possibility, perhaps the future ideal. And with it one must wait for rotary letterpress to become the norm for long-run jobs for general printers.

The photo-polymer plate is not the only technical development promised for the future; after the long ages of neglect, the advent of photosetting has set up a flurry of inventive activity. By extending the use of electronics, more automatic and faster methods of setting are likely to appear soon, removing much of the skill from the setting process by leaving the operator only to press the right keys while the machine gets the length of the lines correct and sets in whatever sort of type may be specified—and the instructions about this can be fed in after the setting has been done, when the film is produced. Setting speeds may become even higher than those

of the Lumitype and Linofilm and capital cost may fall—though the need to spread development costs over what is liable to be at first a small turnover may hold up prices. And dry photographic processes may give photosetting the speed that daily papers require: combined with a photo-polymer plate, these would allow dailies to combine photosetting with their existing printing presses.

The impact of photosetting on daily newspapers is therefore dependent on the uncertainties of technical progress, but it has arrived for the weekly and the bookprinter. For the former, it offers lower investment and running costs; for the latter, higher investment and output but again lower costs. The real revolution for them—and they are likely to be the first to feel it—comes from the need to use machines of high output efficiently: the optimum size of the printing works will rise. Printing will become an industry indeed instead of a craft.

Ending the craft status of this industry would have the same effect on its workers: the electronic machines with their typewriter keyboards are, it seems, often more efficiently operated by women than by men, and the effort now being made to “automate” the setting process has for its end the use of unskilled labour. The unions naturally take a poor view of such changes, and firms wanting to use photosetting have to tread cautiously; one advantage of the Monophoto is that it has the same keyboard as the familiar Monotype machine, so that men can simply be transferred from one to the other. Firms already using the Monophoto have had little or no labour trouble; but when British companies introduce Lumitypes or Linofilms, the situation may be more tricky. Nobody has yet settled their manning with the unions, or dared openly to propose the employment of women to operate them.

BUSINESS NOTES

MONETARY POLICY

Special Deposits First

VERY sensibly, the Bank of England has given a release of the banks' special deposits priority over a reduction in Bank rate. An early reduction in Bank rate from 4½ per cent is indeed by no means certain, for the authorities are again having to keep a watchful eye on the exchange markets and the balance of payments. Nor is it impossible that the next move in Bank rate might have to be up rather than down. A lower Bank rate is not an essential ingredient of a revival of domestic economic activity: a growth in purchasing power and in the volume of credit is.

But will this new release of special deposits succeed in expanding the volume of credit? The release is of half the existing special deposits, which had already been brought down in May from 3 to 2 per cent for the clearing banks and from 1½ to 1 per cent for the Scottish banks.

These injections of liquid funds, which will be made in two stages on October 8th and 15th, will swell liquidity ratios that are already comfortable—the clearing bank average at the make up on September 19th was 33.7 per cent. Thus the banks will be in a still better position to finance advances for which there is no demand.

The Bank of England claimed to detect, in its last quarterly bulletin, an “immediate” response in the trend of advances to the first release of special deposits at end-May, basing its assessment on a seasonal adjustment which, because no recent year has been free of large special influences, is particularly tricky. But it is now clear that any underlying increase in May-August (based on comparisons with years before 1958) had petered out in September, when the actual level of advances declined for the second month running. September's fall,

for a five-weekly period, was by £34 million in net advances at the London clearing banks (of which £6 million was from repayments by nationalised industries) and by £4½ million at the Scottish banks.

It is also clear from the classification of bank advances in May-August, discussed in these columns last week, that there has been no revival in demand for credit by industry. The one probable effect of the first special deposits release on the course of advances was to make bank managers more ready to sanction loans to non-priority borrowers, and notably personal borrowers. There may be further scope for increases here, since there is usually some pent-up demand. But any sustained recovery in bank lending is dependent on a change of mood in industry: it is likely to follow, not lead, a revival in the economy. The lead is likely to be given only by a direct boost to spending through, for example, a cut in indirect taxes. The Chancellor can again use his regulator without formality next week, three weeks before Parliament reassembles for the prorogation. He and the Governor of the

Bank of England will be making their annual autumn surveys of the economy to

LONDON CLEARING BANKS SEPTEMBER 19, 1962

	£ mn.		Changes on Month	Year
Gross deposits	7,592		— 10	+233
Net deposits*	7,131		+ 25	+215
		%		
Liquid assets	2,559	33.7	+ 39	+ 37
Cash	623	8.2	— 13	+ 21
Call money	692	9.1	— 9	+106
Treasury bills	968	12.8	+ 72	—112
Other bills and “liquid credits”	276	3.6	— 11	+ 21
Special deposits	151	2.0	— 1	— 70
Risk assets:				
Gilt-edged	1,123	14.8	+ 19	+186
Other market investments	112	1.5	— 34	+110
Advances*	3,428	46.9	— 6	— 6
(To State Boards)	55			

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

any fellow guests of the Lord Mayor who manage to get to the Mansion House next Wednesday night.

IN THE MARKETS

Another Fillip for Gilts

WHILE the economy continues to mark time, the credit relaxation is likely to be of primary benefit to the already booming gilt-edged market. There was little response in equity markets, which, not unreasonably, see the new uncertainties signalled by Wall Street as a weightier influence than the prospect of limited measures of official stimulation in Britain. The Wall Street impact has however been softened by some improved results reported by leading British companies, discussed on page 1238. In the gilt-edged market, Thursday's news brought further rises of up to a point in the medium dated stocks, which had already benefited from bank buying. In the five weeks to September 19th the clearing banks added £19 million to their portfolios, and more purchases have been reported since then. The banks are moreover believed to have been extending themselves into longer maturities, of up to fifteen years—a marked change in recent policy. Certainly they enjoy substantial profits on stocks bought a few months—and even a few weeks—ago. These bank purchases add to the volume of credit only if they have no effect in increasing the volume of official funding sales. Since these have been exceptionally high this year, permitting a smaller reliance on the floating debt which forms the liquidity base of bank credit, bank liquidity has to this extent been under restraint; and the release of special deposits is certainly an important adjunct to any policy of economic expansion.

Demand for gilt-edged stock drained another “tap” at the end of last week, that in 5 per cent Exchequer 1967 of which £400 million was issued last June. Although this left the authorities only the 2008-12

stock at the very long end of the market, the 1967 issue was not immediately replaced, as other tap stocks have recently been. In the absence of any restraining influence the market streaked ahead, particularly in the twenty year range, where both the 1982-84s and the 1986-89s show rises of nearly five points in a fortnight. The market is now wondering how long the authorities will wait before they make an issue in this or in the short-medium range. The plain fact is that, with this year's November maturity safely in official hands and a good part of the 1963 maturities too, the authorities have no need for further large sales of stock at the moment, which could indeed be an embarrassing check on a desired expansion of bank credit. Many observers therefore believe that the next big funding issue may be connected with the projected reform of local authority financing. Not that there is any difficulty in such financing at the moment. This week's issue of £3 million by Hendon corporation,

GILT-EDGED NET PRICES

	Aug. 4, 1961	Jan. 2, 1962	Sept. 12, 1962	Sept. 19, 1962	Sept. 27, 1962	Yield per cent
Conv. 4½% 1963	967½	987½	1007½	1008½	1011½	3.84
Excheq. 5% 1967	—	—	1007½	1007½	1011½	4.57
Conv. 5½% 1974	877½	917½	977½	997½	1017½	5.07
Treas. 3½% 79/81	641½	681½	751½	771½	803½	5.18
Fund. 5½% 82/84	877½	907½	967½	997½	1017½	5.38
Treas. 5% 86/89	787½	817½	887½	917½	937½	5.47

Funding 3½% 1999/2004	55	57½	652½	677½	685½	5.44
Treas. 5½% 2003/2012	821½	831½	931½	941½	951½	5.79
War Loan 3½%	497½	517½	597½	617½	617½	5.70

although it was announced while the previous issue was still in the pipeline and although the issue price was raised from 96 to 97 on the 5½ per cent coupon, was over-subscribed on Wednesday more than eighty times, and is expected to open at a premium of up to around two points. Evidently the City stag has not been mortally wounded by the capital gains tax after all.

Wall Street's Instability

A correspondent cables:

WALL STREET has had a new attack of nerves: the Dow Jones average fell below 580 on Wednesday, having fallen by 10 points on the day and by nearly 30 points over a week of trading. The decline gathered momentum when the Dow Jones average fell below 600 before the week-end, and though there have been several attempts at rallies these have not been strong enough to attract sustained buying. Brokers describe this fall as a “technical reaction” and point to the heightening of tension over Cuba and the somewhat disappointing reports about economic activity. But any market movement can be described as “technical” and neither the foreign crisis nor the sluggishness of business activity are exactly new.

The fact is that public confidence in American equities is again faltering; significantly, the mutual funds have reported a sharp decline in the number of new shares sold, a development that cannot be blamed

entirely on the criticisms made of the industry in the report to the SEC. It is now the general belief that business will not boom and in the absence of inflationary pressures neither private nor institutional investors see any reason to buy equities. Indeed many who have paper losses are beginning to sell in order to establish tax credits; this could be a big and depressing factor until the end of the year, for while in the past selling for tax losses has usually resulted in switching from one security to another, this time it is resulting in a net withdrawal of funds from the stock market.

So many intangible factors are involved that it is difficult to forecast the extent of the decline; but the fall that has taken place to date has emphasised how unbalanced the recovery from the low point touched in the spring has been. Many issues are now selling below the prices they then commanded; they include tobacco, retail chain, steel and machine tool stocks, and thus embrace both cyclical and defensive issues. Some of the more popular growth stocks have also been hard hit; but as these issues rebounded fairly strongly in the summer the gap, as measured in terms of price/earnings ratios, between these and the majority of other issues has in fact widened. Yields on most equities are still higher than those offered by fixed interest stocks and though not many private investors are buying bonds institutional investors, particularly pension funds, which were such big buyers of equities in the past, are now seeking a certain yield in bonds in preference to the prospect of losses in equities.

There are still some optimists who believe that the funds being accumulated have nowhere to go but into equities, and that if the economy manages to withstand a recession there will be a big revival in the buying of common stocks. This might possibly be the case, but the decline in stock market prices could in itself have an effect on business confidence and lead to a cutback in retail sales, capital investment and construction. The announcement by US Steel that this year's output will be well below earlier expectations has cast fresh doubts about the future; and this week's fall in market prices has led to the re-emergence of the extreme pessimism that first appeared after the collapse in prices in the spring and which then disappeared under the surface during the rally in the summer. There is less danger now than there was in the spring of an extremely sharp drop in prices as a result of margin calls; but unless business improves and profits are better than expected it is doubtful whether the market will quickly regain confidence.

OVERSEAS TRADE

Switch in Imports

THE Board of Trade believes that the rise in imports of food, beverages and tobacco into Britain might now be halting,

but these imports have remained inflated long enough to make an unremarkable recovery in imports of industrial materials an embarrassment. The high level of imports in August (at £387 million cif only £3 million below the high July figure) combined with a drop in exports adjusted for seasonal changes, stretched the crude trade gap to £66 million. Despite the earlier improvement in exports, the crude trade gap in August was therefore roughly as large as January's.

Since the beginning of the year, the rise in imports of food, beverages and tobacco has more than counterbalanced a fall of £83 million in imports of basic materials. From June to August, food imports were 4 per cent higher than in the previous three months. Imports of fruit and vegetables have risen by that amount, though in July and August they appear to have been tailing off. However, imports of cereals and feeding stuffs continued at the same high rate as in the early part of the year.

Imports of industrial materials began to rise in July and August; imports of manufactures for further processing expanded by 6 per cent in June-August. Increased imports of chemicals and non-ferrous metals were mainly responsible for the increase, so that reviving industrial demand appears to be adding to the strains in the balance of payments. Isolated increases in imports of non-ferrous metals, however, are not in themselves conclusive evidence that industrial demand for imported raw materials is about to increase again sharply. The rise in imports of copper has been entirely of refined metal and as producers have been attempting to stabilise the market, they, and not consumers, might be the owners of a good part of the increased imports. Imports of tin have increased in value from £1 million to £5½ million since the start of the year, and in August alone they increased to 842 tons, compared with 116 tons a year earlier. Stocks held in London Metal Exchange warehouses have been rising recently and the buffer stocks manager of the International Tin Council was forced to absorb tin in July and August to support its market price; so not much can be made of this increase. By contract zinc and lead imports remain depressed but these metals, too, are affected by London's position as an open world market. The recent increase in aluminium and nickel imports might be more significant.

EUROPEAN ENERGY

MPs and Russian Oil

WHAT the Council of Europe thinks about energy problems, or any others, is today interesting rather than important, but it does give some sampling of "top public opinion," as evidenced through members of parliaments, in 16 west European countries. And there is nothing very new in the report on European energy

problems that it adopted *nem con* (with Italian and British Labour MPs abstaining) in Strasbourg this week, except in emphasis and flavour. Its most notable feature is a marked emphasis on the risks that it feels are involved in importing Russian oil, and some surprisingly direct criticism in this respect of the policies of ENI, Italy's state gas and oil concern. This has made the report understandably popular with the international oil companies. But the lack of opposition from Italian MPs in the Council, in conjunction with some rather more effective criticism of ENI in the Italian press of late than the usual stuff of which Signor Mattei parades his bound volumes, might be rather more significant than his enemies' approval. Italy now has a government nominally closer in ideology to Signor Mattei's own; but the bargains it has had to make for political support could presage rather sharper scrutiny of all nationalised Italian industries, old or new.

Signor Mattei told the economic committee which prepared this report that when the concessions which he is developing in the Persian Gulf and North Africa begin producing on a large scale he would be able to land this oil in Italy as cheaply as today he can Russian, which considering the sizeable shares for the host governments concerned sounds a large order. His argument is that a purely Middle East company, which does not need as the majors do to finance exploration in other places out of Middle East production profits, could make do on much lower net profits there. ENI's own area of oligopoly profit is in the gas business in Northern Italy, where it can peg its price for untaxed gas only slightly below that of fuel oil which bears quite a significant tax; but its own export of capital abroad into oil ventures seems to have been financed in part also from issues of bonds. Signor Mattei added that the ENI's present degree of reliance on Russian oil would be temporary until its own oil came in; on which the committee commented very fairly that cutting off these imports suddenly later could have rather sharp repercussions upon the exports of steel pipe and other goods which Italy sends Russia in exchange.

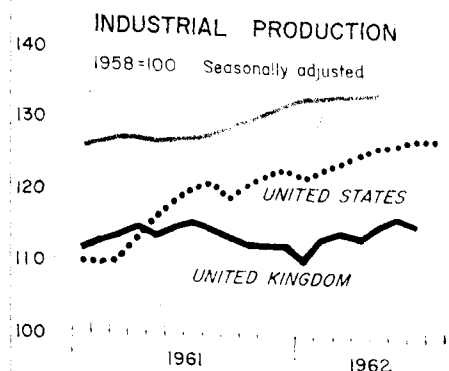
THE ECONOMIES

Slower Growth

PRODUCTION in the common market, at the beginning of the summer, was showing further signs of slackening in its rate of growth, even in the most ebullient economies such as Italy. The European Economic Commission, in its monthly notes, comments that in Northern Italy there are now signs of shortage of skilled workers, while "the propensity to invest" seems also to be slackening somewhat. In Germany output continues to rise slowly, as it has been doing for some months; in France the pace has slowed more recently:

while in Benelux output is no better than level. Expansion in the Community remains somewhat stronger than in the United States or Britain, but nobody now expects to maintain the rate of 1960-61.

In Britain, where output seems on the latest indices to have turned downward, the indications of engineering orders are



still less favourable. In July orders in these industries (mainly producers of capital goods and their suppliers) were 12 per cent below those a year before; even taking the three months May-July together to even out chance factors, the level of orders booked was 3 per cent down on the same months of 1961; and the volume of orders on hand at the end of July was 9 per cent lower than a year earlier.

BRITISH PETROLEUM

Higher Dividend

ENCOURAGED by last week's increase in the Shell and Royal Dutch interim dividends the market was looking for good results from British Petroleum and the rounding up of the tax free interim dividend following last year's one-for-five scrip issue from the equivalent of 6½d. to 7d. The optimists were looking for more than this and they have been proved right, for the dividend has been left unchanged at 8d on the bigger capital. As the directors do not qualify this announcement in any way a higher total payment of at least 2s 1d. against 1s. 11½d. has to be assumed. Their decision, which put the shares up by 1s. 3d. to 38s. 7½d., after touching 39s. 1½d., is certainly justified by B.P.'s trading results. In comparison with the first half of 1961

SALES AND PROFITS (£ million)				
Six months ended	June 30, 1961	Dec. 31, 1961	June 30, 1962	
Gross sales	479.0	532.6	511.5	
Net sales	323.7	355.8	342.9	
Gross profit	57.7	59.8	63.3	
Net income	26.3	33.8	32.7	
Gross profit/net sales (%)	17.8	16.8	18.5	
Net income/net sales (%)	8.1	9.5	9.8	

the volume of sales has risen by just over 8 per cent from 38.1 million tons to 41.2 million tons while as the table shows their rise in value, net of excise duties, was about 6 per cent. This bears out the statement made by the chairman, Mr Maurice Bridgeman, in the 1961 report that any improve-

ment in profit margins was more likely to come from lower operating costs than from any general improvement in prices. Operating costs, although higher than in the corresponding period in 1961, show a significant reduction on those for the second half of the year. Depreciation too is lower than in the previous two half years. Dividend and other income received by BP has risen from £10.5 million in the first half of 1961 to £12.4 million and though taxes are bigger, reflecting a lower credit for British tax relief, net income is nearly 25 per cent higher. Thus net margins maintain the improvement of the previous half year while gross profit margins have risen for the first time in two years.

MOTORS

Waiting on the Chancellor

BRITAIN'S motor industry enters the autumn with mixed feelings about its prospects: home and export demand is

How Many Working?

THERE are two big hazards in making population projections. One is that a guess has to be made at the level of births; and this British demographers in recent years have consistently underestimated. The second assumption to be made is whether the country will lose or gain through migration, an assumption that can be little more than arbitrary. The remaining factor in making population projections, the mortality rate, is less subject to sudden changes and is not considered a serious hurdle.

When it comes to making a shot at the size of the working population, the birth rate does not enter into it so long as the crystal-gazing goes no further than 15 years ahead. But migration is still a vital issue. In the official population forecasts for the next ten years, published in the current issue of *Economic Trends*, it is assumed

ACTIVITY RATES (Percentage of totals in each age-sex group who were occupied)						
Ages	MEN		WOMEN			
	1956	1961	Single, widowed and divorced	1956	1961	Married
15-29	78	75½	80	76½	43	43½
20-24	99½	96	99	99	43	41½
25-29	99½	96	99½	99	33½	32½
30-34	99½	99½	90½	99	29	32
35-39	99½	99½	82	92	34½	37
40-44	99½	99½	83½	93	37½	41
45-49	99	98½	80	81½	36	39
50-54	96½	95	70	73½	25½	31
55-59	94½	94½	57½	61	12	16½
60-64	92	90	32½	31	5	6
65-69	53½	44	6	6	5	6
70 & over	20	17	6	6	30	32½
Total	88½	86½	54½	53		

expected to fall, if not as heavily as last year, but those firms with new models hope that these will help to cushion any drop. Certainly both the British Motor Corporation and Ford are still making as many cars now as they ever did in the summer, with the Cortina accounting for a much bigger proportion of Ford's output than the 1100 does of BMC's. The fall in production from an effective rate of about 29,000 a week in July to 23,500 in August was mostly the result of Ford's strike early in the month, which lost the company some 10,000 cars. Allowing for this and some holidays, output was running at about 27,000 a week; the fall of 2,000 from July is explained by some slowness in building up output after the holidays, when output was in some cases being switched to new models, and by some other makers trimming schedules a little in expectation of lower sales.

August proved an unexpectedly good month for sales on the home market, with an increase of 20 per cent over August last year; but the changes in the motor industry's—and some others'—holiday

arrangements made this a full working month for the first time, so it is difficult to draw any firm conclusions from these figures. What indications there are suggest that September will not show so large an improvement, though sales should still be significantly higher than they were last year. Hopes of a cut in purchase tax next month and expectations of new models may have combined to make buyers more inclined to wait. The main feature of the home market during the summer was a fall in BMC's share to under 40 per cent and an improvement in Ford's; the same happened last summer, and BMC is inclined to blame it on low stocks of its cars—to which strikes contributed.

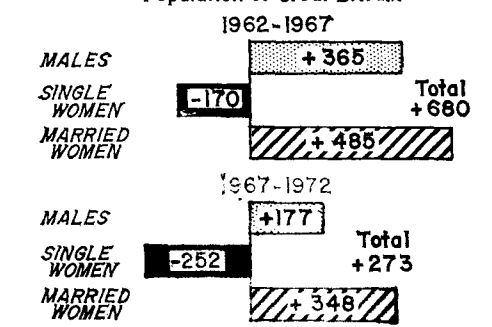
Exports to Europe, South Africa and Canada fell in August, bringing shipments for the month to 36,750, a fall of 12,250 from July. There is usually some fall in August, and model changes may again be affecting the issue; but the drop in shipments to Europe might also mean that the stockbuilding there that seems to have been proceeding so far this year was beginning to end.

age. Although, as the Ministry of Labour points out, "it is unlikely that this last factor will continue indefinitely," nevertheless the projection it makes of the working population over the next ten years is based on a continuation of the rates of growth of the last few years, although with some slowing down towards the end of the decade. Thus, the proportion of married women aged 45-49 who go out to work or who seek work, is assumed to rise from 44 per cent in 1962 to 49 per cent in 1967 and then to 51½ per cent in 1972.

On the basis of such assumptions, the Ministry of Labour calculates that the working population will rise by nearly a million over the next ten years. (The margin of error, even apart from emigration, is inevitably very large.) The chart shows that the rise will be much faster in the first five years than in the latter part; it is expected to be 680,000 between 1962 and 1967 compared with 621,000 in the last five years.

EXTRA HANDS

Estimated Changes in Future Working Population of Great Britain



Figures in thousands

Problems of the Ports

INEFFICIENCY and inadequacy are the normal comments on the docks; the theme of the Rochdale Committee's report is how to galvanise them into the new capital investment that is needed to match the requirements of Britain's growing external trade. No dock authority in the country now earns enough to depreciate its assets on a replacement cost basis and to pay interest on its loan capital, which makes the financing of higher investment all the more difficult to achieve. British port charges are already higher in general than those on the continent; but the committee can only recommend that they should be raised until they give the authorities a return that will make investment attractive.

Users may not regard this with undivided joy, but some of the evidence has already suggested that they will be prepared to pay if they really get better facilities. The investment that the committee regards as of first priority—more deep-water berths for the bigger dry cargo ships that are now recognised to be most efficient, preferably at Tilbury and Southampton; better ore unloading facilities in South Wales; improvements at Leith and on the Tees, and development of the Bristol Channel and Clyde ports—would cost about £150 million; investment has been running at a little over £20 million a year. To supervise these needed development schemes and provide a central planning body for the ports, the committee recommends setting up a National Ports Authority.

This new authority would really be handed the task of making the ports modern. Control over any large capital expenditure by the dock authorities would be its means of doing so, since its powers would be supervisory rather than operational. It would not be able to appoint the members of port authorities, and it would not be represented on them. Its staff would therefore be small; the eight to twelve members the Rochdale committee says, should not be from the ports, but the permanent staff of engineers, accountants, economists and statisticians should include some with experience of the ports. The closest it would come to controlling the running of the ports would be in seeing that charges were adequate to pay for development schemes, but not excessive.

The proposals seem to leave the board poised somewhere between the Ministry of Transport and the dock authorities, advising the one and supervising the other. Constitutionally it would add yet another semi-governmental body to the many now floating around, placed rather similarly to the Iron and Steel Board. But anyone trying to see how this rather oddly organised industry of trusts, corporations and nationalised industry can be helped to improve itself has to decide whether it is to be done from above, by direct or indirect government intervention; or whether to leave it to come from the demands of industry on the dock

authorities. The case for direct intervention is a strong one.

The Committee settled for an independent board rather than giving more powers to the Ministry of Transport because it thought that the dock authorities should be able to appeal from decisions on such matters as investment expenditure that affected their commercial operations. But this right does not seem to have made the airlines any happier. Would it save trouble if the Minister made the decisions in the first place?

Some at least of the tasks that the committee suggests that the board should undertake are well within the field that the Ministry could and should cover—collecting statistics from the dock authorities, for example. Other ministries already exercise some control over the investment spending of nationalised industries; control of such expenditure by dock boards would hardly set a precedent. The question—and indeed the whole function of any central authority, ministerial or independent—depends somewhat crucially on how and whether the finance for dock investment can be raised—by the port authorities on the market, or in the last resort by government loans.

WHILE advocating more semi-governmental supervision of the docks, the Committee also suggested that industry might do more to provide the facilities it wanted. Just as the oil companies provide their own tanker piers, so should the steel industry provide the deep-water berths needed to allow the bigger and more economic ore carriers to unload near to the steelworks. Other industries ought to pay for specialised unloading equipment, such as is needed for grain or timber.

Administration of the ports is a field where the Committee found considerable scope for improvement. Most dock authorities do not prepare their accounts fully enough to show whether they were earning enough to pay depreciation on a replacement cost basis, nor do they cost particular activities to see whether they are profitable. Only one port regularly prepares figures to show the cost of handling individual cargoes. The Committee suggests that it is easier to cost the work of a dock than that of most other sections of the transport industry; it believes there no excuse for dock authorities remaining ignorant of the real profitability of their activities.

Much of the present dissatisfaction with ports comes from the complexity of the paper work involved in despatching goods—which adds to the costs of the docks as well as of traders. The Port of London Authority has recently reduced the number of items in its rate book from 4,000 to 100 for imports and 12 for exports. The muddled bureaucracy that this complexity of rates reveals suggests more than anything the need for fresh thinking in the docks.



British ports have always been criticised for the slowness with which they have adopted modern methods of cargo handling; and the Committee argues that though machinery is expensive, it is cheap relative to the cost of quays, docks and ships. If the docks can be used more intensively, investment in equipment will bring a high return. And it will help to raise the status of the dockworker. Preparing for the wider use of containers is where the Committee feels that the docks have fallen down worst; transporting goods from factory to destination without unpacking is especially attractive on short sea crossings, where loading and unloading costs are high. But the widespread use of this system means setting aside space near the docks to store the containers, which is difficult to find at most British docks; and the Customs authorities would have also to change their methods.

To improve the present rather inadequate technical progress of the docks, the Committee suggests that a Dock Research Association should be added to the many already organised by the Department of Scientific and Industrial Research. But is there really enough research to be done on cargo handling to justify a research association of its own? Application of existing knowledge seems more fruitful to promote.

All plans for improving the efficiency of the docks come back to the problem of improving labour efficiency, and so of improving labour relations. The Committee believes that the National Dock Labour Scheme has failed to end the blight of casual labour: out of the 70,000 registered dock workers, only an average of 16,500 were employed on a weekly basis in 1961. Unemployed dockers have to assemble twice a day to seek work, and a man might work for a dozen different employers in a week. To end this employers will have to be prepared to engage all their men on a weekly basis—which means that firms will have to be larger. The Committee suggests that the port authorities should license employers only if they have adequate resources to employ men weekly. And it points out that the present scheme is distorting the relative costs of different ports: London employers have contributed £3 million more to it than it has cost to operate the scheme in London in the last seven years. Well intentioned though this scheme was, it is time for the final step towards "decasualisation."

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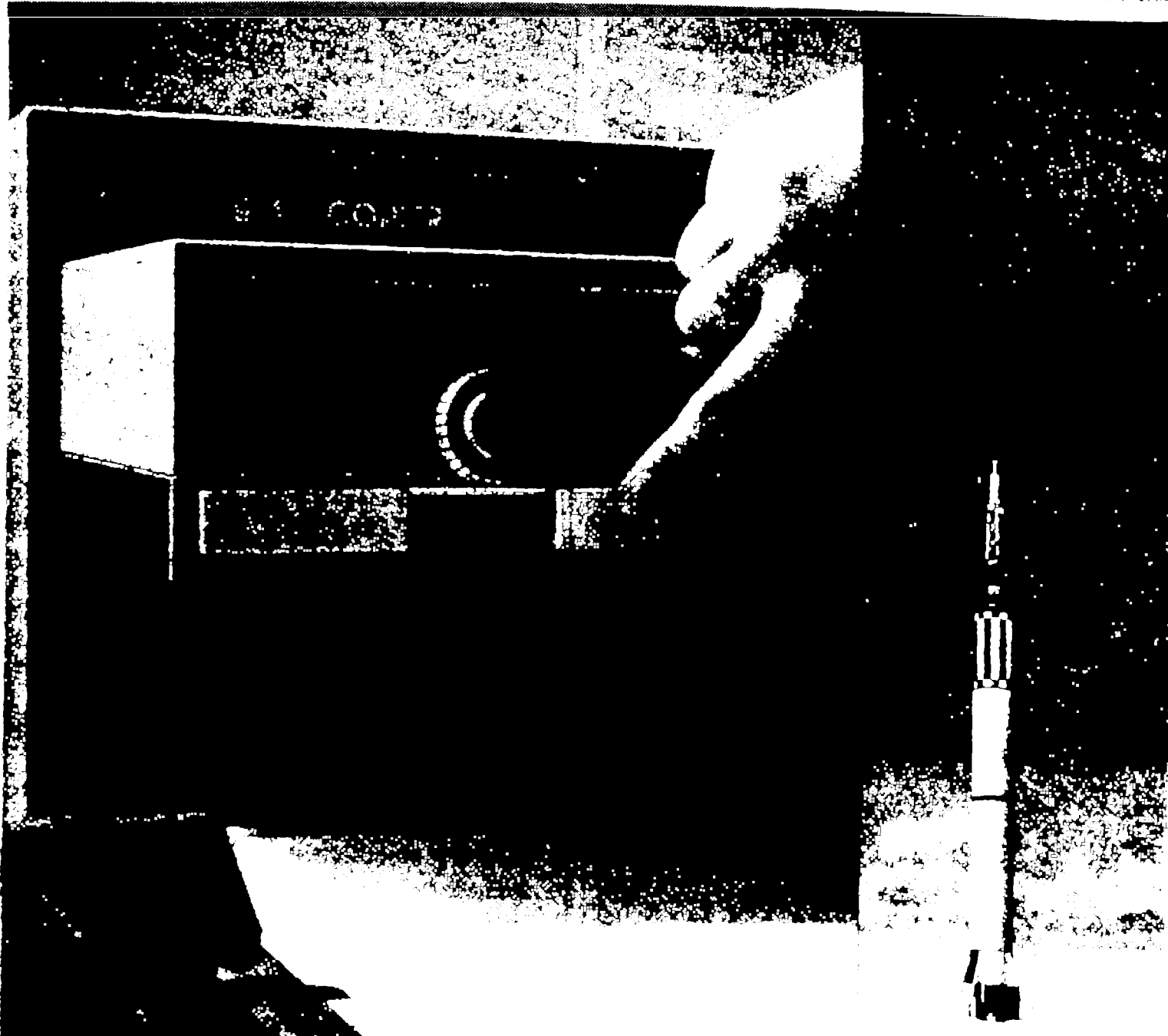
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Trade in the Seventies

ANY authority planning port investment in Britain has to provide the anchorage and berthing capacity for the trade of the seventies and eighties, not the sixties. Accordingly, the Rochdale committee, whose report is discussed on page 1222, obtained estimates from the Ministry of Transport of the physical volume—in sheer tonnage—of Britain's import and export trade up to twenty years ahead, which have some interest in themselves.

The Ministry's estimates for 1966 were based on what they thought the most likely rate of growth in the next few years,

on recent experience—allowing for entry into the common market and for some initial jump in trade, completed by 1966, as a result of this. Beyond then, its estimates are based on calculating likely trade in different sectors on alternative assumptions—annual economic growth of 3 per cent, a rate that the Ministry reckons may have been reached by 1966, or a faster rate (such as NED would hope for). The most significant element in the results—on either assumption about growth—is the massive future development of petroleum imports.

	Million tons			
	1958-60 annual average	1966	GDP rising by 3 per cent per year	GDP rising by 4 per cent per year
Imports:				
Total, main bulk dry cargo.....	42.4	58	86	96
Other dry cargo.....	17.7	22	32	36
Total dry cargo.....	60.1	80	118	131
Petroleum.....	52.2	76	137	150
Total.....	112.2	156	255	281
Exports:				
Coal, coke and manufactured fuel.....	5.8	9	9	9
Other dry cargo.....	16.8	23	38	43
Total dry cargo.....	22.6	32	47	52
Petroleum.....	8.5	7	10	10
Total.....	31.0	39	57	62

EXCHANGE FUNDS

America Tells (Nearly) All

WHATEVER one's views about the adequacy of America's recent exchange innovations as a solution for the long run liquidity problem, one can recognise the success which those innovations have achieved on the technical level, in smoothing the course of the international exchanges and reducing short movements of gold reserves. These exchange operations have now been documented to a degree that finds no parallel among the long established exchange operations of European monetary authorities. A detailed report published in the Federal Reserve Bulletin for September and prepared by Mr Charles A. Coombs, chief of the foreign department of the Reserve Bank of New York, serves as an object lesson of what can safely and valuably be said in public after a due interval. Is there any hope that Britain's Exchange Equalisation Account will follow this example?

American official activity in foreign exchange markets took the stage within a week of the revaluation of the mark and guilder in March, 1961. The United States Treasury, in close co-operation with the German Bundesbank, attacked the specu-

latively high premium on the forward mark by selling marks against dollars forward to a total now given as \$340 million in mid-1961. Subsequently, "with the crisis of confidence more or less weathered, it seemed desirable to allow the forward premium on the mark to rise somewhat, thereby increasing the cost of forward cover and further dampening commercial hedging demand". It is at such points, one must admit, that certain doubts about these admirable retrospective official explanations creep in. Suppose that the premium had crept up on its own accord, against official intentions—would it have been admitted? Do the exchange authorities, in other words, reckon to be as honest about their failures as their successes?

By the book, American official operations have been basically successful, and there is little reason to doubt it, as they have been confined basically to self-reversing situations. The inflow into Germany quickly reversed itself with the 1961 Berlin crisis and the turn in Germany's basic balance, and the underlying balance of payments also turned in Switzerland and Holland, so that speculative inflows could be reversed without difficulty. Both the US Treasury and the Federal Reserve have operated in these markets. The Federal Reserve has negotiated a network of swap arrangements to a total of \$700 million. The credit lines with Canada, Switzerland, the Bank for

International Settlements, Holland and Belgium have been used (but now largely reconstituted) while those with Britain, France and Germany have not, so that these are all now on a standby basis. No swap arrangement between central banks has been arranged with Italy, owing to technical complications, but there the US Treasury has taken credits totalling \$150 million for supporting operations. Forward operations to reduce the discount on the US dollar and improve the arbitrage balance in America's favour have generally been undertaken on behalf of the US Treasury; but, as Mr Coombs discreetly points out, "any risk of an inadvertent clash" between it and the Federal Reserve is minimised, for the good reason that he acts for both.

FRANCE

Chronic Surplus

Paris

THE French balance of payments will this year show a surplus equal to, and possibly even greater than, \$1,000 million. A surplus of this size, barely smaller than that of 1961 (\$1,100 million) and greater than that of 1960 (\$750 million) will bring French reserves up to about \$3,500 million by the end of December. This will make a rise of \$600 million on the year, \$420 million having been repaid on foreign loans. These details, given by M. Giscard d'Estaing on his return from the meeting of the International Monetary Fund, will not come as a surprise, although they exceed by one-quarter the forecast of a surplus of \$800 million made by French foreign exchange experts at the beginning of the year. They are in effect confirmed by the balance of payments for the first quarter, which has just been published. From January to March, France showed an external surplus of \$248 million, compared with \$268 million during the same period last year. The slight decrease is moreover entirely accounted for by the up-

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surge in private gold purchases (\$60.6 million, compared with \$31 million a year earlier), resulting indubitably from the uncertainty inspired by events in Algeria. Without this fortuitous cause, the official surplus in the first quarter of 1962 would have exceeded that of the corresponding quarters of the two preceding years.

French exports increased in this period by 14 per cent, against only 11 per cent for imports. So the trade surplus reached \$114 million, against \$86 million a year earlier. France's surplus in trade with its partners in the common market rose to \$85.5 million, from \$71 million a year earlier; at the same time, France's deficit in trade with the United States and Canada decreased by one-third, shrinking from \$65 million to \$42 million. The traditionally adverse balance of transport charges has improved, from a deficit of \$9 million to one of \$1.4 million, thanks to a considerable increase in the earnings of French ships (\$65 million, compared with \$51 million). Other items in the invisible trade balance, however, have deteriorated.

French Government expenditure abroad has considerably diminished (\$56 million against \$75 million), while Germany has doubled its restitution payments to French war victims (\$32 million against \$18 million). But American governmental expenditure in France has been reduced (\$62 million, compared with \$85 million). The Kennedy policy of cutting down on foreign spending here makes a visible impression. Finally, foreign purchases of French securities have considerably increased, from \$84 million to \$103 million; these purchases come principally from other European countries and underline the interest inspired abroad by the big French undertakings. But this gain was, on balance, outweighed by the small decrease in direct foreign investments in France, and particularly by the reduction (by nearly a half) of the loans granted to French enterprises by foreign firms or international organisations: the slackening particularly affected investments from the United States and Canada. Since, at the same time, France has prepaid loans from the World Bank (to a total of \$67 million), the balance of long-term capital movement for the first quarter has shown a surplus of only \$21 million, compared with \$76 million last year.

HOTELS

Airport Beds

MR FORTE is, like Mr Lyons, to have his hotel at London Airport. His subsidiary company, Motor Lodge Developments, has announced plans for a 300-bedroomed hotel costing £1,650,000 which will be within a few hundred yards of Lyons' circular Ariel Hotel (185 rooms, 57s. upwards) and the Skyway Hotel owned by the Canadian Seaway Hotels which has 260 rooms at 55s. upwards. A recent motel, the

Master Robert, operates free transport over the 1½ miles which separate it from the airport and charges £2 10s. to £3.

The new hotel must gamble on a considerably greater increase in overseas and internal passengers at London Airport than is at present apparent. There is no shortage of accommodation to meet the present state of demand, though the existing hotels have a core of captive custom from airline personnel, passengers stranded by fog and, especially in the tourist season, people arriving or departing late at night or in the small hours.

Parking for 500 cars is to be provided on Mr Forte's ten-acre site on the approach to the airport from M.4. The company is making a great point of catering for air travellers arriving by car, who will be able to park there for several days during a trip abroad. This advantage would be reduced by the provision of better facilities at the airport, just as the eventual completion of the London end of the South Wales Motorway may make it less desirable to avoid the journey between the airport and the centre of the city.

It is clear that an airport hotel has to attract businessmen for meeting as well as sleeping. Encouraging visiting industrialists to stay, eat and confer on the spot where

they arrive, instead of making straight for the bright lights, is a task in which the hoteliers are backed by BEA, which wants to shift some of its internal business traffic away from the early morning flights that the long drive into town makes necessary. The Ariel Hotel has found it can convert bedrooms into places suitable for small business conferences during the day and have them ready for use again as bedrooms by the time that night visitors begin to arrive at about 8 pm. The Skyway, and plans for the new Forte hotel, have large conference and banqueting rooms. But even in favourable circumstances it looks as though it will take some time for Mr Forte's venture to show a profit, if it is to be competitive in price with its neighbours—since it will have cost nearly twice as much per room.

BEAMISH AND CRAWFORD

Corked and Sealed

CANADIAN BREWERIES has won control of Beamish and Crawford, the Cork brewery, but in doing so it was forced to

WAGES

Regional Earnings

A NEW index of hourly wage rates for the main groups of industries is published in the second issue of the Ministry of Labour's bi-annual bulletin of statistics. It shows that since the beginning of 1956 hourly wage rates have risen most, by 44 per cent, in "professional and scientific services, public administration and defence" and least, by 30 per cent, in textiles.

Another new feature shows the spread of men's actual wage earnings, region by region, in manufacturing and the other industries covered by the Ministry's regular twice-a-year inquiry, the main exclusions being coalmining, railways and agriculture. The highest earnings recorded in April were £24 4s. 5d. for men engaged in the printing and publishing of newspapers and periodicals in the eastern and southern region, the lowest in Britain £10 18s. 6d. for

men shoe-repairing in the south-west. Printing and publishing was among the six best-paying industries in all regions except the midlands, south-west and Wales. The only other industries in which earnings topped £20 in any region were motor vehicle manufacture—in London and the south-east, the eastern and southern region, and the midlands—and "vegetable and animal oils, fats, soaps and detergents"—in the south-west. In London and the south-east, the lowest figure recorded was £13 5s. 7d. in road passenger transport.

Earnings in the London region are on average about 13s. above the national average, but the margin varies considerably and in a handful of industries is over £2 while in quite a number, including tobacco, earnings are below average. And, as the table shows, the top earnings in many cases are in the eastern and southern region.

MEN'S WEEKLY WAGE EARNINGS

(Shillings: April, 1962)		Average for the United Kingdom	
Industry		Highest regional earnings	
Printing, publishing of newspapers and periodicals	426.0	Eastern and southern	484.4
Motor vehicle manufacturing	399.8	London and south-east	427.3
Metalworking machine tools	350.4	Midlands	373.0
Aircraft manufacturing and repair	350.0	Eastern and southern	365.8
Iron and steel (general)	341.8	Wales	390.0
Chemicals and dyes	335.2	South-western	352.8
Paper and board	333.3	Eastern and southern	388.8
Rubber	332.8	London and south-east	357.4
Office machinery	327.8	Eastern and southern	360.1
Electrical machinery	324.6	Northern	356.3
Radio and other electronic apparatus	308.0	London and south-east	321.3
Footwear	276.1	London and south-east	299.8
Woolen and worsted	272.4	Northern	293.6



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raise its bid from 12s. 6d. to £1 per share to equal the price that Guinness was willing to pay. The Beamish and Crawford directors and their associates, owning 44 per cent of the equity, seemed to be anxious to go along with Canadian Breweries from the outset and it was not long before Canadian Breweries gathered in acceptances for more than half the shares. Both Guinness and Mostyn (London), which was first in the field with a bid of 7s. 6d. per share, have now backed out, releasing those who accepted their bids from any obligations. The way has thus been opened for Beamish and Crawford to increase its share capital and to implement its promise to its shareholders to give them preferential treatment in the issue of new shares.

The driving force behind Canadian Breweries and Charrington - United Breweries is Mr E. P. Taylor and he has been forced to pay a high price for his victory. In terms of the present assets and earnings of Beamish and Crawford, the price was excessively high and though the acquisition gives Mr Taylor a foothold in the Republic of Ireland he will not find it easy to capitalise on his victory. Freedom to establish a plant for Carling lager in

Ireland is all very well; but the Irish market is not at this moment big enough to absorb output from two lager plants. Carling's at Cork and Harp's at Dundalk and if, like Harp, Carling intends to export to Britain it will be up against stiff competition in the lager market, which is not growing as quickly as some of the optimists had hoped. Mr Taylor will also have Beamish and Crawford's stout to sell. Within that brewery's own 200-odd tied houses that should not be difficult; but elsewhere, either in Ireland or Britain, the cost of competing with Guinness's stout will be high, particularly as there does not seem to be much, if any, growth in the market for stout.

NON-FERROUS METALS

Cuts not Clips

IN free markets, producers are normally left in the dark about consumers' intentions. But since they pegged the spot price of copper at £234 a ton at the end of January, it is producers who have kept the market guessing what they might do next.

By the nature of their operation, copper producers cannot show their hand and reveal just how close or otherwise they have been to becoming dislodged from their fixed position. But to have held copper stable through an exceptionally difficult year up to the end of September is itself a feat in controlling primary commodities worthy of analysis.

The producers have got as far as this because they have been able to act quickly, vigorously, and in reasonable unison. The rather depressing conclusion for other primary producers to be culled from this experience is that producers must be constantly on their toes ready to sidestep what many people believe is the inevitable knock-out when attempts are made to pin the market down to a fixed price, and few could match the copper producers' example. The Rhodesian producers made their second round of production cuts in July, and the example has snowballed round the world. According to members of the United States Copper Institute stocks of refined copper rose tremendously in July and August. Over the two months they increased by 132,000 short tons to 494,000 tons, their highest level since May, 1958, and two-

Board on the Isle of Grain neatly illustrate their development. The first, built in 1956, was a Segas cyclic steam reformer, designed by the board itself. The cycle consists of heating a bed of catalyst by burning oil in it and then blowing a mixture of steam and oil through it. A lean gas at a low pressure is made. The second and third plants are Shell partial oxidation units in which oil is continuously burned under carefully controlled conditions to give a lean gas at a high pressure. These plants were designed to be "omnivorous," that is to take any feedstock offered by BP's refinery.

The latest plant for the Isle of Grain has only recently been ordered. It is an ICI continuous steam reformer, a system which combines some of the attributes of the others. Steam and light distillate are passed at high pressure through heated tubes packed with catalyst. A lean gas is made which needs LPG enrichment; but the limitations of its feedstock requirements to naphtha are, given the present state of demand for this low-grade gasoline, almost an advantage.

The average production cost of carbonisation gas, high as it is, can only be held down to this because it provides the base load gas. Peak demand is met with carburetted water gas; to supply it from carbonisation plants would be prohibitively expensive. Oil-based plants can be switched on and off more readily to meet demand. Most telling of all for expensive plant operating at low load factors, the capital cost of the ICI type of gas reformer is a sixth of that of a carbonisation plant, and between a quarter and a fifth that of a Lurgi plant.

More Gas from Oil

"I BELIEVE now that in the new processes for gasification of light distillate costs can now be brought down to the order of 7½d. a therm, which incidentally is below the figures which were given for the cost of town gas made by reforming imported methane," said Mr H. D. Greenwood at a recent conference on gasification. Mr Greenwood is not likely to exaggerate the cheapness of gas made from oil, being the assistant director-general of carbonisation of the National Coal Board. He was mainly discussing new processes for making gas from coal, including the much-debated Lurgi process; but his tribute to the new continuous reforming processes for naphtha—primarily, ICI's new process—exemplifies the impact that this cheap process is having on gas-making in Britain.

No firm cost estimates have been disclosed by ICI itself for its new process, in which the British gas industry is now investing rather heavily. Mr Greenwood's guess at its costs can be compared with an average cost of around 13½d. a therm for coal made from carbonisation; costs of about 9½-10d. a therm for oil gasification at low pressure in the oil processes currently used; estimates for the Lurgi process which at their most favourable come hardly under 8½d. a therm; and estimates of about 8½d. a therm for imported methane, reformed into town gas. The oil processes depend crucially on the bargain any gas board can make for naphtha, liquid petroleum gases, or methane, which are more susceptible to

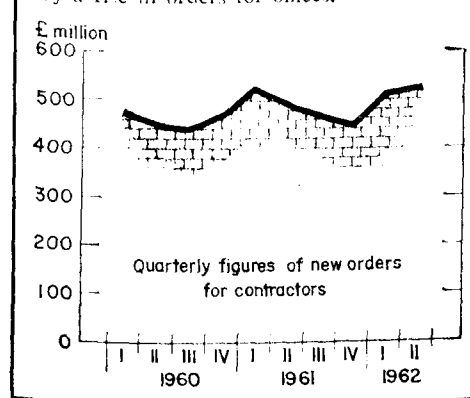
bargaining than the price of coal.

The traditional way of making gas, carbonisation, produces a gas with certain properties, and because of the expense of altering burners to use gases with different properties, this has set a standard specification for town gas, in Britain, however made. Oil has been used in gasmaking for seventy years but, until recently, only as an enricher in carburetted water gas. Steam is blown through a bed of white-hot coke and reacts to give a "lean" gas (of low calorific value). Oil is added to bring the calorific value up to the specification for town gas (about 450-500 BThU/cu. ft.). This system has provided the gas boards for many years with a flexible way of meeting peak demand cheaply (paradoxically, more cheaply than the carbonisation gas it supplements). Modern hydrocarbon steam reformers operate on the same chemical principle, with the useful difference that, as oil contains carbon and hydrogen where coke contains only carbon, more hydrogen is formed. Much of the work on steam reformers has been carried out by the chemical industry, for which hydrogen is an important raw material. ICI had a small plant in operation in 1936 and steam reforming of natural gas on a huge scale has been carried out by chemical companies in the United States for more than thirty years.

Other methods of gasifying oil have been used by the gas industry and the plants put up by the South Eastern Gas

BUILDING ORDERS

New orders for building work were only £1 million below the record level of the second quarter of 1961 in the corresponding period this year. The recession seems well past, but there has been a swing from private to public house building and a fall in industrial building—which is balanced by a rise in orders for offices.



thirds of this increase occurred outside the United States. The copper producers' action therefore appears a rare example of anticipating real trouble; but only the autumn will show whether the latest cuts have made the gap between production and demand bearable.

For all their efforts, producers have not yet looked firmly in charge of the market. The initiative appears to have swung from one side to the other several times over the past nine months, and though recently the producers seemed to be getting on top, the experiment has so far been a limited one. The question whether copper producers with all their advantages over many other primary producers can hold prices stable over long periods remains unanswered. But they have shown themselves capable of taking the axe to production—and swiftly—when the occasion warrants, and the flexibility of basing cuts on capacity gives the cartel a better chance of succeeding as long as no curtailment of expansion has to be contemplated. International Nickel, which is also a major copper producer as a by-product as well as the chief source of nickel in the free world, has decided to cut nickel output by about 13 per cent in one sweep during the last quarter of this year. After allowing its stocks to expand sharply since 1959, and especially following the great increase in output coming from its new Thompson mine, International Nickel is now cutting output to a level it believes will be sustainable next year.

AIR FARES

The Long Session Starts

THE airlines started in Arizona this week what is likely to be the roughest, toughest session yet held to fix the level of world air fares for two years from next April. There are still some brave opti-

mists who believe that the best cure for the airlines' present financial troubles would be to reduce fares and to tap a wider market to fill those empty seats, but to the majority this savours too much of "jam tomorrow" to have any attraction. The real battle in Arizona will be between those—predominantly American—airlines that want to hold fares at today's levels and rely on the natural growth in air traffic (which is still taking place whatever anyone says) to catch up with the huge amount of new capacity bought by the airlines during the last two years; and those airlines that want to get an immediate increase in revenue by raising fares here and now.

The sizes of increases in fares discussed range from the tentative, kite-flying five per cent suggested in Dublin two weeks ago by the chairman of the British Overseas Airways Corporation to the 15 per cent discussed privately but not publicly by a number of other, hard-hit airlines. On some routes even higher increases have been murmured. Agreement at these meetings must be unanimous, so that parties tend to adopt extreme attitudes at the outset in order to give the appearance of making concessions as the meeting wears on. It seems likely, going on the evidence of similar fare-fixing conferences in the past, that the American airlines may succeed in holding fares unchanged on those routes (including the North Atlantic) which they dominate, but that in other regions, including Europe, fares are likely to go up in proportion to the rate at which American influence diminishes.

TOBACCO

Rings Round Recovery

WITHDRAWALS of tobacco from bond in the first seven months of the year were nearly 8 per cent lower than a year earlier. At first sight, it would therefore appear that the outgoing Chancellor, with help from the Royal College of Physicians, might have administered the first lasting blow to tobacco consumption in this country since the austere days of Sir Stafford Cripps. But the tobacco phoenix is not so easily defeated. After Cripps, cigarette smoking continued to increase despite successive lardings of duties. Last year it rose marginally to reach a record level of 2,800 cigarettes for each adult over sixteen. Consumption comfortably surpasses the 1946 level, despite a tax of 3s. 4d. on a packet costing 4s. 6d. retail—which seems to prove conclusively that high prices alone will not necessarily put a habit down, though consumption in this country is lower than in some others.

The latest figures show that withdrawals in the three months May to July (summer is the smokers' high season) were only fractionally lower than the average for 1961. In June and July of that year, withdrawals from bond were also inflated in anticipation of the 10 per cent surcharge,

and they subsequently declined. The 10-12½ per cent drop in sales following the Smoking and Health report may already have been restored by half. However, the remaining gap should prove a much tougher proposition. Higher prices for tobacco and the physicians' report both encourage filters, which take up to 15 per cent less tobacco. Before the July measures of last year, filters held about 17½ per cent of the market. They enlarged their share to 22 per cent by the end of the year and after the health report in March they expanded it to at least 25 per cent. Pipe tobacco which had been on the retreat for many years, appears to have made a limited comeback, and cigarillos—Wills Whiffs and the like—have made some significant progress.

SHORTER NOTES

Following the suspension of sales by Mexico this week, spot silver rose a further 3½d. to 103½d. a fine ounce in London. The New York price rose to 120 cents a lb.

*

The Bank of England is now calling in the old series of 10s. notes; they will cease to be legal tender after October 29th. When the £1 notes were called in earlier this year some £90 million was paid into deposit and savings accounts or invested in various ways. But only £98 million in 10s. notes is now in circulation and only one sixth are old series notes. The Bank also announces that a new £5 note, smaller than the existing one and with a portrait of the Queen, will be issued early next year.

*

The first 200 tons of American stockpile tin has been sold. Successful bids were about \$1.08½ cents a lb., ½ cent above last week's highest unsuccessful offer, compared with a New York price for immediate delivery of \$1.08½ cents a lb.

*

Prices of imported food, beverages and tobacco fell one point in August, but the rounded index for all imports remained unchanged. Export prices have not altered over the past nine months, so that Britain's terms of trade, the ratio of import to export prices, remained at the very favourable level of 84 (1954=100) in August.

COMPANY AFFAIRS

Comments on pages 1238, 1239 and 1242 on:

ICI	AEI
Vickers	Swan Hunter
Cammell Laird	English Sewing Cotton
Dimplex	Qualcast
Triplex (Holdings)	British Relay Wireless
Tonibell	Securities Trust of Jersey
Linoleum Merger	Tobacco Shares

STOCK PRICES AND YIELDS

Stock prices, yields and security indices on pages 1240 and 1241

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 1243



World pension consultants report BIG INCREASE IN BUSINESS *new Continental Division 'on the stocks'*

In a statement issued recently by the Noble Lowndes Pension Service, the joint Chairmen of the Group reported that 1961 had been a challenging year but despite difficulties a record turnover had been achieved.

NEW BUSINESS

In this year the Noble Lowndes Pension Service wrote new scheme assurances totalling £133,779,750, a substantial increase over the previous year. The increased annual premiums in respect of this business totalled more than £5 million. In addition, group life business increased in terms of annual premium by nearly £100,000 to just over £400,000 and individual life assurances amounted to more than £6 million in new Sums Assured, more than double the 1960 total.

GRADUATED STATE PENSION SCHEME

Also recorded was the acknowledgement received from the Registrar of Non-Participating Employments for the part that the organisation had played in the heavy burden of consultative work connected with "contracting-out" arising from the 1956 Finance Act and the new Graduated State Pension Scheme.

GROWTH IN U.K. AND EIRE

Lowndes Beddall Ltd., an associated company dealing with general insurance matters for the Group's clients had also shown most satisfactory growth and reported the formation of two subsidiary companies—Lowndes Beddall Payne Ltd., in Scotland and Lowndes Beddall Duggan Ltd., in Eire.

ASSOCIATED COMPANIES OVERSEAS

Most important overseas centres are in Africa, Australia and New Zealand. Throughout 1961 the results from all three areas have

been both satisfactory and encouraging. In Africa, the Group is satisfied that there is a continuing need to offer the security provided by pension schemes written in sterling, with Lowndes Associated Pensions Ltd. functioning as trustees in this country.

THE COMMON MARKET AND OTHER CONTINENTAL COUNTRIES

The joint statement concluded—"Because of our clients' interest in pension practice in other parts of the world and, particularly, in Common Market countries, we are currently engaged in a world-wide review of this subject and have arranged to set up a new 'Continental Division' as part of our overseas structure. This new division will have access to detailed knowledge and experience on pension scheme problems in the Common Market and other Continental countries".

Issued on behalf of Noble Lowndes & Partners Ltd.
Lowndes Associated Pensions Ltd.
and Irish Pensions Trust Ltd., by

*The Noble Lowndes
Pension Service*

LEADING PENSION CONSULTANTS
BRANCHES AND ASSOCIATES THROUGHOUT U.K., AND IN
THE BRITISH COMMONWEALTH, SOUTH AFRICA AND THE U.S.A.

enb/mb

UNIGATE LIMITED



GROUP'S WIDELY DIVERSE ACTIVITIES

A SOUNDLY BASED AND PROGRESSIVE ENTERPRISE

MR G. IVOR PRICE ON DAIRYING AND THE COMMON MARKET

The third annual general meeting of Unigate Limited was held on September 21st at Grosvenor House, Park Lane, London, W1. Mr G. Ivor Price, chairman and managing director, presiding.

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

It gives me pleasure to announce that during last year the Company was honoured to receive the Grant of Armorial Bearings which are reproduced for the first time on the cover of this report. The motto "In Unigate Cum Natura" (United with Nature) is, I am sure you will agree, most appropriate to the Company's activities.

FINANCE

Your Directors have pleasure in presenting to you the third Annual Accounts of Unigate Limited.

The increases of £86,412 in the amount of issued capital, and of £187,945 in the share premium account, are due to shares exchanged for the whole of the minority interests in Howard's Dairies Ltd. and Lovell's Creameries Ltd.

It has been decided to increase the value of the investments in subsidiary companies by adding the surplus created by the revaluation of our properties in 1960. This concerns the balance sheet of Unigate Limited only as effect has been given in previous years to these figures in the group balance sheet.

Capital reserves have increased by £309,781 reflecting profits less losses in the disposal of property and surplus arising from revaluations in an overseas subsidiary.

The profit before taxation at £6,044,382 (credits for prior years nil) compares with £6,150,939 for the previous year (including credits for prior years £288,011) while current taxation, including the increased profits tax, now 15 per cent, takes £2,974,847 against £2,791,448 leaving the profit after taxation £3,069,535 this year. In addition tax releases were £230,989 (previous year £198,408).

An interim dividend of 5 per cent has been paid on an Ordinary share capital of £16,976,744 and after payment of the Preference dividends there is a balance of £2,307,989. Your Directors recommend the payment of a final dividend of 9 per cent, payable on an Ordinary share capital of £17,035,409. After these appropriations the carry forward is increased by £1,368,912.

It was announced on May 11, 1962, that the Company had acquired the total issued share capital of Mark Procter & Co. Ltd., Newton Dairy Ltd., Miller, Ball & Toulmin Ltd., Lancashire Cheesemakers Ltd., Thomas Bamber Ltd.,

and Percy H. Smith & Co. Ltd., all situated in Lancashire. Since then the Company has acquired the total issued share capital of Amberley, Pulborough & Storrington Dairies Ltd.

These are not all the businesses acquired but I mention them because part of the consideration was met by the issue of Ordinary shares on which the final dividend is payable. No part of the earnings of these concerns is included in the profit of the year.

Wholesale and Retail milk businesses purchased during 1961-62 amounted to 29,000 gallons daily. You will note that the net Group sales of £203,000,000 compare with £192,000,000 for the previous year, an increase of £11,000,000.

MILK PRODUCTION AND DAIRY PRODUCTS

Milk production in 1961-62 established new records and the Group handled 5 per cent more than in the previous year. During the year the creameries reached record figures in converting milk into dairy products, the alterations and extensions to our creameries referred to last year playing a great part in this achievement. During the Spring of 1962, at the time when milk production was at its peak, the Whitland Creamery manufactured over 100,000 gallons of milk each day into condensed milk and other milk products. The Milk Marketing Board in England and Wales is at present taking the preliminary steps in a scheme by which producers will be paid according to the hygienic quality and composition of the milk they supply. Our own laboratories are co-operating to ensure the accurate sampling and testing which such a scheme requires.

Imports of butter are now regulated but the dumping of other surplus dairy products by continental countries, and their sale in this country at subsidised prices, continues. In last year's report I said that an application had been made to the Board of Trade for relief, but as no action has been taken to restrain this competition the situation causes increasing concern.

Infant foods

With this report you will have received a booklet describing the Cow & Gate baby foods. These products, like the babies using them, continue to go from strength to strength and remain the undisputed brand leaders in their field.

Branded Goods

In a highly competitive and not very remunerative market, essential progress had been made in establishing such branded products as Golden Regal evaporated milk, St Ivel butter and fish and meat pastes, Farmer's Wife Double Devon Cream and Milk Puddings. Sales of these pro-

ducts have increased and further improvement is expected in the future.

Nisin

Among the activities of the Biological Division I will refer only to the development of a method for the commercial production of Nisin in highly concentrated form. This interesting substance was identified in 1947 by scientists at the National Institute for Research in Dairying. It has the property of preventing the growth of a number of food spoilage bacteria, and this is likely to have important applications in the production of cheese and of canned foods.

The unique process of manufacture which uses milk as a starting medium was devised by our Scientific staff and is protected by patents in the Company's name. In some foods the use of Nisin is protected by other patents held by the National Research Development Corporation with which we work closely.

Under regulations recently made by the Minister of Agriculture, Fisheries and Food and the Minister of Health, the use of Nisin in canned foods, cheese and clotted cream is approved. Similar permissive legislation is expected in a number of other countries. In anticipation of this, a new plant has been installed at Yeovil capable of meeting the expected demand in Europe. Steps are being taken to arrange for the manufacture of Nisin overseas.

LIQUID MILK DISTRIBUTION

The Thorold Committee appointed by the Secretary of State for Scotland and the Minister of Agriculture, Fisheries and Food to report on the remuneration of milk distributors in the United Kingdom issued its findings in January. Some of the recommendations, such as a new statistical method of assessing results on the basis outlined, are unacceptable to the trade, and we note particularly that the Committee, while accepting that London costs are higher than average, reject the idea of a special London allowance. This means that unless the whole trade becomes more remunerative, which we think imperative, our London distributive businesses will remain relatively less profitable.

The economics of milk distribution have, therefore, caused some concern and we have considered what steps we can take to reduce expenses. It has been suggested that the number of deliveries should be reduced to six in a week, but we feel that such a course would result in a decrease in milk consumption and, for this reason, we do not favour it. Many customers help milk salesmen by taking two days' milk on one day and we are most grateful to them for helping to overcome delivery problems. But it must be realised that the milk supply depends to some extent on the salesman's ability to in-

crease the takings of the round by the sale of other commodities such as cream, orange drink and yoghurt. We have therefore taken steps to stimulate interest in these sales.

WHOLESALE AND RETAIL GROCERY BUSINESSES

Modernisation, both of premises and techniques, has continued to bring about improvements in these activities and we can now expect to reap the rewards. The shops of Barretts (North Devon) Ltd., are outside our main sphere of operations and are being sold.

TRANSPORT AND ENGINEERING COMPANIES

Higher wages and the last budget have made haulage less profitable. However, the manufacturing side of the Transport Companies has full order books for motor and electrical vehicle bodies and for insulated containers made from reinforced plastic.

The Engineering Companies with large export sales have met severe competition, and in addition delays in deliveries by sub-contractors for a very large order from the USSR affected our cash position as normal payments were delayed on this account. Other Engineering Companies in the Group have been very successful. In one case record sales were achieved for the third year in succession and in another, two types of packaged unit for industrial refrigeration are now in production and a good demand for them is anticipated.

OVERSEAS

Mr Clements, one of our Managing Directors, spent the early months of the year in Australia and New Zealand and completed arrangements which should help our business in Australia. We are pleased with the results from New Zealand, but in Canada there was very strong competition; however, we did well in the circumstances. Two other Managing Directors, Col. Gates and Sir Charles Taylor, visited India and Nigeria respectively in connection with the Company's interests in these countries.

DAIRYING AND THE COMMON MARKET

In the United Kingdom, Milk Marketing Boards have statutory powers to regulate prices and the Boards are able to charge differential prices according to the way in which the milk is used. The highest price is paid for milk used for liquid consumption, the lowest for milk used for butter making. In between, prices vary for all the other milk products. As no such arrangements exist on the continent we are studying closely the possible effects both on prices paid to the producers and on the milk market generally of any entry of Britain into the European Economic Community. If this should occur it may be that marketing plans here would have to be changed, in spite of the fact that the greater part of British milk production is used for liquid consumption.

Until more is known about the conditions which will prevail if we enter the Common Market it is impossible to assess the effects on our industry. However, it would seem likely that if we have to comply with the price structures in Europe, prices of milk products will rise, bringing about an increase in the price of butter, which will reduce consumption unless action is taken against the competition of margarine. Milk production in Europe is expanding

COMPANY MEETING REPORTS

but there is no corresponding increase in the consumption of liquid milk; this results in a larger volume of dairy products being available. If things remain as at present this country will continue to be the main dumping ground for the ever growing surpluses of dairy products. In any case it is essential that in the Common Market countries every effort should be made to promote the sale of liquid milk.

STAFF

I wish to thank the staff and agents both at home and overseas for their services. You will recall that 1962 started with a very bad snowstorm, making travelling next to impossible, but our staff succeeded, in all but isolated cases, in getting the milk through to the customers and I am sure that we should all join in expressing our gratitude.

I should also like to refer to our Long Service Corps, of which we are extremely proud. At the moment there are 708 employees still actively engaged who have completed forty or more years of service with the Company, and another 1,901 who have at least thirty years to their credit. To them in particular and to the remainder of

THE ECONOMIST SEPTEMBER 29, 1962

the staff we should pay tribute for loyalty and hard work.

FUTURE PROSPECTS

The activities in the Unigate Group are widely diverse. In addition to dairy products and milk distribution the wide variety of enterprises extend from farms, bacon factories, and pharmaceutical products, to many forms of engineering and transport of most kinds. Each has its own problems. If not subject to very close control of profit margins, as in the milk business, they are open to market fluctuations and fierce competition, and it is difficult, therefore, for your Board or for me to make forecasts covering the whole field. However, we hope to secure tangible rewards from constant expansion of investment in our industry and economies arising from further integration. At the moment our energies are devoted to securing the improvement of the management machine and the training of personnel to take advantage of what we think - thanks in large measure to our predecessors - to be a soundly based and progressive enterprise.

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

INTERNATIONAL CREDIT BANK GENEVA

The Annual General Meeting of the INTERNATIONAL CREDIT BANK was held in Geneva on June 29th and the following is an extract of the Report presented by the Board.

REVIEW

The year showed a further steady expansion, which exceeded the Board's expectations for the second year running. The balance sheet total, which was Sw. Frs. 40 m. in 1960, was more than Sw. Frs. 76 m. on December 31, 1961. The intermediary balance sheet on June 30, 1962, showed a total of nearly Sw. Frs. 88 m.

Results confirmed the belief that the Bank meets a genuine need in its chosen field of activities. The continuous increase in international economic relations, in particular with developing countries, underline the role the Bank intends to play with unreserved energy, within the means at its disposal, quite apart from its normal banking operations. The period under review was marked by a most gratifying increase in the number and variety of affairs handled by the Bank.

As a result of this expansion, the Board decided to appoint a general overseas representative and to set up a permanent office in London.

PROFIT, CAPITAL INCREASE

After allowance for amortisation and reserves, final profit at December 31, 1961, stood at Sw. Frs. 397,427.38 (against Sw. Frs. 156,477.46 the previous year) which together with the balance of Sw. Frs. 56,477.46 brought forward, amounted to Sw. Frs. 453,904.84 available for distribution. This would permit a dividend of 6 per cent to shareholders, but the Board felt it wiser to form reserves first of all. The nature of the Bank's activities and the volume of certain investments were felt to justify a proposed increase of share capital to Sw. Frs. 10 m.

The report, the accounts and the proposals put forward by the Board were adopted.

BALANCE SHEET AT DECEMBER 31, 1961

ASSETS	
Cash and Post Office check account	Sw. Frs. 2,471,944.74
Due from Banks	31,985,406.38
Bills of exchange and promissory notes	17,862,528.60
Stock Exchange forward contracts	141,011.50
Current accounts unsecured	4,274,646.75
Current accounts secured by mortgage	1,227,343.50
Current accounts otherwise secured	13,294,106.67
Fixed-term loans unsecured	485,185.50
Fixed-term loans secured	98,927.15
Securities and other investments	2,624,304.35
Participations in syndicates	30,983.35
Furniture and fixtures	190,104
Improvements to office premises	782,778.30
Other assets	729,227.70
	Sw. Frs. 76,198,498.48
LIABILITIES	
Due to banks at sight	Sw. Frs. 3,855,885.21
Fixed-term bank liabilities	16,151,367.20
Stock Exchange forward contracts	140,899.20
Check accounts and other sight deposits	25,326,550.62
Fixed-term deposits	22,441,878.15
Deposit accounts	1,115,797.20
Liability on bills and acceptances	215,500
Other liabilities	1,281,715.86
Capital	5,125,000
Legal reserve fund	100,000
Balance brought forward from the financial year ended December 31, 1960	56,477.46
Net profit for the financial year ended December 31, 1961	397,427.38
	453,904.84
	Sw. Frs. 76,198,498.48

U.K. Representative: Arie L. Handler, 128-129 Cheapside, London, E.C.2. Telephone: MONARCH 0641.

THE ECONOMIST SEPTEMBER 29, 1962

WM. CORY & SON, LIMITED

THE HON. F. A. LEATHERS' STATEMENT

The Honourable F. A. Leathers, the Chairman of the Company, presided, on September 20th, at the sixty-sixth Annual General Meeting of Wm. Cory & Son, Limited held at Cory Buildings, Fenchurch Street, London EC3.

The following is an extract from his statement circulated with the report and accounts:

In the coal and shipping trades there has been a poor return on the capital involved. This is common to these industries, and I cannot hold out much hope of an improvement in the near future.

The two commercially-operated ocean tankers have been kept in employment over the twelve months but at rates which contributed nothing to depreciation. The fleet of coasting tankers trading under the name of Bulk Oil Steamship Company have made a reasonable profit; we have ordered two further ships slightly larger than the tankers already in service, which should be delivered in the present financial year. The collier fleet has had a very much better year.

Thanks to the very cold weather last winter, the total tonnage of coal sold was about the same as for the previous year, but the proportion actually handled through our discharging plants and lighterage facilities was lower, and only the less remunerative tonnage increased. This change was due partly to the heavy loading of the electricity stations and partly to very severe competition from fuel oil. The National Coal Board are making every effort to stabilise prices but, unless reductions are made in certain cases, this trend may very well continue.

The Port of London is still finding it difficult to recover from the effects of its labour disputes of recent years, and for this reason, coupled with the depression in the shipping industry, your Company has suffered in its lighterage of general goods on the Thames. Fortunately, re-organisation of the Group quay lighterage interests into one unit has helped by reducing overhead charges. Cory Tank Lighterage can look forward to taking its share of the ever-expanding oil business of this country.

Cory Associated Wharves achieved considerable success in offsetting by the economies resulting from closer integration a somewhat smaller volume of trade. Robertson Buckley & Co. continued to make a helpful contribution to the Group figures, with higher revenue from its general warehousing, mainly in Liverpool. Despite keen competition, the road haulage companies have made a good showing, and the regular trunk services throughout this country and to the Continent have been increased.

Cory Sand & Ballast Company again had a good year, although one of the newest sand dredgers became a constructive total loss. Another vessel will be ordered to replace her. Since the end of the financial year, South Coast Ready Mixed Concrete Company has been sold to the Ready-Mixed Concrete Group on mutually advantageous terms.

The agreement with Shell-Mex and B.P. for the distribution of oil products in certain large sectors of the country continues on a satisfactory basis.

The return from the oil bunkering side is almost identical with the previous year.

COMPANY MEETING REPORTS

SIME DARBY HOLDINGS (Incorporated in England)

A YEAR OF CONSOLIDATION

The fifth annual general meeting of Sime Darby Holdings Limited will be held on October 26th in Singapore.

The following is an extract from the circulated statement of the chairman, Mr Angus Scott:

The Group's Profits before Taxation were £980,196 an increase of £79,268 over last year's figure of £900,928. After tax requirements have been deducted, there remains £532,134 which is £49,471 more than in 1961. Your Board is recommending a final dividend of 12½ per cent which makes a total of 20 per cent for the year. I feel our results are satisfactory and con-

firm that the Group is widely based and well placed competitively.

A review of our trading activities, section by section, shows that we have been through a year of consolidation rather than expansion. Our shift of effort towards the development of our specialised engineering and contracting business has produced good results. Our Rubber Estate Agency business and our various Subsidiary Companies have made adequate contributions to the Group Profit.

In the near future your Directors propose to call an Extraordinary General Meeting to effect the capitalisation of £500,000 from Reserves and the issue to Members of one new share for each four shares held, bringing the Issued Capital to £2,500,000.

To maintain our present distribution to Members on the capital increased to £2,500,000 a dividend of 16 per cent will be required and, provided our affairs go well, it is hoped that this rate of dividend will be possible in 1963.



LANCASHIRE AND YORKSHIRE TULKETH GROUP

The financial year to March, 1962, was generally acknowledged as one of the most difficult years in the history of the textile industry, says Mr S. M. Ross, Chairman of Lancashire and Yorkshire Tulketh Group Ltd., in his statement with the accounts, extracts from which follow:

	1960	Year to 31st March 1961	1962
Trading profits	255,206	498,680	495,344
Depreciation	61,681	96,497	112,922
Taxation	70,849	80,475	152,823
Ordinary dividend	24,064	38,661	43,047
Ordinary Share Capital	183,863	300,573	460,181
Revenue Reserves	258,872	305,042	350,056
Turnover	2,343,834	4,224,120	4,907,738
Exports	874,600	2,106,661	2,284,773

It is with a good deal of satisfaction that I can report better trading results than those of last year, which were a record.

IMPROVED ORDERBOOK

In spite of the increasingly competitive conditions which exist in the Lancashire division, the orderbook has improved by 50 per cent. Yarn production has been concentrated at Tulketh Mill, where machinery has been re-arranged to convert three of the floors into three independent and self-contained units, in other words, to have three complete spinning mills under one roof.

New machinery now on order will cost approximately £450,000 and will qualify for the 25 per cent Government grant, bringing the cost of capital expenditure at Tulketh Mill since 1960 to well over £1 million.

When these latest high speed spinning frames, purchased from the Continent, are installed within the next six months, we can easily claim that Tulketh Mill will be one of the most up-to-date spinning mills in this country and can be compared favourably with any spinning mill of its kind anywhere.

RECORD SALES

In the Yorkshire division, despite very difficult trading conditions, production was increased and sales during the year were a record. B. H. Moxon & Sons Ltd., was awarded the "Ambassador 1961 Award for Achievement" for "a remarkable export performance in men's superfine worsteds, based on advanced styling, the highest quality, and flair for anticipating trends in men's fashions."

Present orderbooks are very satisfactory and the full production of the Moxon and Martin mills is sold in advance until well into 1963.

THE FUTURE

Assuming no major adversities in international trade, I feel confident that the Group will not only maintain but also increase its earning capacity in the years to come and thus ensure, as in the past, a steady and reasonable return on your investment in the form of dividends and a build-up of your capital stake by scrip issues whenever possible.

At the annual meeting held in Bradford on September 26th the report and accounts were adopted.

W. E. SYKES LIMITED

(Machine Tool Makers)

INCREASED EXPORTS HELP TO MAINTAIN TRADING PROFIT

The Annual General Meeting of W. E. Sykes Limited was held on September 24th at Staines. Mr Robin Brook, CMG, OBE, the chairman, presided and, in the course of his remarks, said:

GROUP ACCOUNTS

The valuation of the remainder of the Group fixed assets bringing them into line with those of Kendall & Gent has now been done, the net value for the Group amounting to £2,110,000. The surpluses arising therefrom (£480,026) have been added to capital reserve.

The trading profit for the year, after all charges other than depreciation and bank interest, amounted to £340,473 against £321,583 for the previous year. After increased charges for depreciation and for bank interest, the net figure amounted to £219,057 as against £220,288. The taxation charge was £109,289 against £89,810, producing a net profit after tax of £109,768 against £130,478.

W. E. SYKES LIMITED

During the year our main business—the manufacture of gear cutting machines and of small tools for use on such machines—has fulfilled expectations, but increased turnover has been achieved at the price of continued reduction of profit margins, only partially offset by improved techniques for production. The tempo of activity was sustained and praiseworthy. The proportion of our output exported also continued high.

We have acquired patents in this country and the U.S.A. on an electro-magnetic system for dynamic angular measurements which will have a far reaching effect not only on the quality of our own products but on the gear industry as a whole. This is now being marketed under the trade name of "TEMAC," Transmission Error and Correction.

SUBSIDIARY COMPANIES

Sykes Machine Tool Company Limited has again made a notable contribution to the Group profit. The increased earnings of £44,047 are a credit to the general manager and staff who have had to contend with urgent demands for machines on the one hand and lengthening delivery promises from manufacturers on the other.

Kendall & Gent Limited and its subsidiary made a loss of £25,475 during the year, a particularly disappointing result in that there has been no dearth of orders. Our problem here has throughout been one of low productivity. We now feel that we have turned the corner and a more dynamic spirit is beginning to prevail, though some time must still elapse before we see the result of our efforts translated into an appropriate level of profit. We are no less confident now than we were a year ago that in time our investment will prove well justified.

Our branch in Australia continues to earn a small but nevertheless most welcome profit and is a useful overseas outlet for some of the machines and small tools made by the parent company.

During this year we made an arrangement by which the Barber-Colman Company, well-known American manufacturers of machine tools and small tools, will make Sykes gear shaper cutters for sale in the United States and will act as selling agents for certain types of gear cutting machines made by us here at home. In furtherance of that arrangement we sold a wholly owned American subsidiary to them resulting in a capital profit of £36,579. We are confident that future results from North America will prove the wisdom of this change of policy.

FUTURE PROSPECTS

Like most machine tool makers, we have reasonably full order books and are maintaining the inflow of overseas orders. On the other hand, we share in the falling off of home orders which currently prevails despite ample evidence that there is substantial need for more extensive and rapid re-equipment of the metal-working industries in the United Kingdom. Steadily decreasing margins of profit resulting from frequent increases in labour and material costs must be matched by increased efficiency and productivity at all levels if the crucially important engineering industry of this country is to keep its place in the economy of the world and especially in Europe. How precisely the entry of the United Kingdom into the Common Market would affect our business, it would be foolhardy to forecast, but we are taking steps—already successful in some measure—to strengthen our overseas connections; this effort, combined with our technical progress, gives us confidence in our capacity to meet and profit from the changing situation. Viewing the outlook for the group as a whole, we expect that during the current year the progress and trading results of the business will continue satisfactorily—better than that if our expectations for Kendall & Gent are fulfilled and all our extra efforts bear fruit.

MANAGING DIRECTOR

The chairman added: As you will have seen in the press, Mr E. W. Hunnisette will be appointed Managing Director of the Group as from November 1st. Mr Hunnisette is well known in the machine tool industry having occupied a similar position for many years.

The report and accounts were adopted.

FURNESS, WITTHY AND COMPANY

The seventy-first Annual General Meeting of Furness, Withy and Company Limited was held on September 26th in London. Sir Errington Keville, CBE, the chairman, presiding. The following is an extract from the report of the Directors.

The amount carried to the Company's Appropriation Account is £668,283 to which is added Dividends from Subsidiaries out of Profits of prior years (net), £197,396. From the amount of £865,679 thus available the Directors have set aside to Fleet Replacement Account £300,000. The usual half-yearly Dividends on the 5 per cent Cumulative Preference Shares have absorbed £45,937 and the Directors recommend the payment of a Dividend of 8 per cent on the Ordinary Stock.

An examination of the Consolidated Profit and Loss Account of the Group for the year discloses a substantial reduction in the Profits derived from Ships' Trading and ancillary business of the Companies as compared with the previous year.

Unfortunately the unsatisfactory general trading conditions in the shipping industry have persisted and the industry in general continues to face rising costs with an increasing difficulty in securing adjustments in freight rates to meet them. The industry continues to suffer from the effects of a surplus of world tonnage, from the practice of flag discrimination in many parts of the world, and from the effects of legislation in other countries, all of which are rendering it more and more difficult for Shipowners to earn an adequate return on the increasingly large amounts of capital which have to be invested in new ships if their services are to be maintained.

Following on the decision taken last year to modernise Queen of Bermuda, it is satisfactory to report that the work was carried out within the scheduled time and the vessel was able to resume her service in the New York/Bermuda trade in April of this year.

The one-class tourist passenger vessel Northern Star (24,733 tons), which was delivered on June 25th, sailed on her maiden voyage on July 10, 1962.

It was reported last year that British United Airways Ltd. had made application to the Air Licensing Board for permission to operate a greater number of scheduled services. It is a matter of regret that although approximately half the applications were granted by that Board, these have in almost every case been the subject of an appeal by British European Airways. A second lengthy public hearing followed before a Commissioner appointed by the Minister of Aviation. Over eighteen months have elapsed since the original applications were filed and the decisions of the Commissioner and the Minister of Aviation are still awaited.

A merger was arranged in January, 1962, of British United Airways Ltd. and British Aviation Services Ltd. (which holds the whole of the share capital of Silver City Airways Ltd.). To give effect to this a new company, Air Holdings Ltd., was formed to acquire the entire issued capital of these two companies. The Company has been allotted shares in Air Holdings Ltd. in which it now holds approximately 18 per cent.

British United Airways has again operated at a satisfactory profit.

The report and accounts were adopted.

FITCH LOVELL LIMITED

Sir Ambrose Keevil Reports on another record year

The 42nd Annual General Meeting of Fitch Lovell Limited was held on September 26th in London.

The following is an extract from Sir Ambrose Keevil's circulated review:

I am happy to report increased profits and turnover for the ninth year in succession.

Our turnover, despite severe streamlining, advanced to a record approaching £110,000,000 and our net profits before taxation increased 32 per cent to £1,873,703.

We have increased our recommended dividend, and also propose to make a scrip bonus issue of one share in ten. If business continues to be satisfactory we hope at least to maintain the same dividend next year on the enlarged capital.

We have begun a new venture in Europe, this time in Italy. We have now factories and other interests in Germany, Holland, France, Belgium, Italy and Denmark, and are well prepared if this country enters the Common Market or if it decides to stay outside.

The Group's policy is one of expansion. Expansion from within by increased development. Expansion from without by inviting, or accepting the invitation of, suitable firms to join our Group, but only firms who fit into the pattern of our operations.

Our objective is to advance into the 1960s and 1970s at least one step ahead of events. Having reviewed the Group's widespread activities, the chairman concluded:

Throughout the Group there is a spirit of restless energy and enthusiasm which, coupled with our wide experience, permits us to face the future with every confidence.

BLUEBIRD INVESTMENTS LIMITED

The fifty-seventh annual general meeting of Bluebird Investments Limited was held on September 26th in London.

The following are extracts from the circulated statement of the chairman, Mr Ralph C. Yablon, LL.B.:

The net profit for the year before taxation was £502,416. The directors propose a final dividend of 20 per cent on the increased capital making a total of 32 per cent for the year.

During the year sales were as high as for 1961 but unfortunately the Company's experience in respect of profit margins was the same as that of many other companies, namely, that the cost of manufacture increased substantially during the year and it was not possible to pass on these increases to our customers.

Our exports to Europe increased again. We exported in value 40 per cent more than we had exported in the previous year and more than three times the value of our exports in 1958/59. We exported to Europe more than one-third in value of all caravans exported from this country.

Although your Company is keenly alive to export possibilities, the fact remains that it is in the home market that our profit must be mainly earned. There is no doubt that the demand for caravans is constantly increasing. Many of those who would wish to acquire a caravan are prevented from doing so by the difficulty of obtaining a suitable site for it.

During the year we felt justified in making tentative approaches for the extension of our caravan business by acquiring other businesses or amalgamating with others in the industry. These approaches are still at an early stage and are proceeding satisfactorily.

Whilst the lower profit margins for 1962 were a disappointment to us all, we consider that all in all the year was one in which we made real progress and my colleagues and I look forward to the future with confidence.

H. S. WHITESIDE & CO., LIMITED

"SUN-PAT" "PAN YAN"

MR T. A. BARNES REPORTS ON GROUP'S PROGRESS

The thirty-seventh annual general meeting of H. S. Whiteside & Co., Limited was held on September 21st in London, Mr T. A. Barnes (Chairman and Managing Director) presiding.

In the course of his circulated statement the Chairman said: I am pleased to report a year of steady progress with Group profits and turnover again exceeding those of the previous year, despite continued pressure on profit margins.

Disregarding the capital increase arising from the Scrip Issue in February, 1962, the total distribution for the year is equivalent to 32½ per cent as compared with a forecast of 30 per cent.

Commenting on the strength of the Capital Reserve position, Mr Barnes said that the Board proposed a further Scrip Issue of one new Ordinary Share for every four Stock units now held.

Anglo-American Projects: Life Savers (UK) Limited, the company formed as a joint venture with the Beech-Nut Life Saver Corporation of America, commenced production at the Sovereign Works in Lancashire in November, 1961. We have the utmost confidence in the successful and profitable outcome of this new project.

Our second Anglo-American deal in conjunction with McCormick and Company of Baltimore, the world's largest processors and packers of spices and condiments, was completed by the formation of McCormick Foods (UK) Limited, in October, 1961.

We have every confidence in maintaining the progress which, I am sure you will agree, has marked the affairs of the Group in past years.

The report was adopted.

COAST LINES LIMITED

The forty-ninth Annual General Meeting of Coast Lines Limited was held in London on September 25th. The Chairman Captain A. R. S. Nutting, OBE, MC, in the course of his speech said:

The net profit of the Company and Subsidiaries amounts to £960,384 as against £709,526 in the previous year. After deduction of taxation deferred in respect of prior years, the proportion of profit belonging to outside members and the amounts retained or otherwise appropriated in the accounts of subsidiaries, Coast Lines is left with a net profit for the year of £662,612.

We have transferred £100,000 to Fleet Replacement Reserve, applied £150,000 in writing down the Premiums paid on acquisition of shares in subsidiaries and £54,330 to meet the stamp duty and other expenses of acquisitions in 1961. After providing for the dividends paid on the Preference Stocks and the two interim dividends of 3 per cent and 7 per cent, totalling 10 per cent as for 1960, paid on the Ordinary Stock, there remains a surplus of £24,929 to be carried forward.

Our numerous freight services to Ireland have been well patronised, though the recession in the shipbuilding trade in Northern Ireland has severely curtailed steel shipments to Belfast; and the establishment of mills for the manufacture of cattle foods has caused a considerable drop in the carriage of this once important traffic. These losses I am pleased to say have been offset to some degree by the development of new traffics.

The Report and Accounts were Adopted.

KINTA KELLAS RUBBER

The fifty-second annual general meeting of Kinta Kellas Rubber Estates, Limited was held on September 25th in London, Mr J. R. Tannock (the chairman) presiding.

The following is an extract from his circulated statement:

Our crop of 1,806,500 lb for the year failed to attain its estimate by only 19,000 lb and showed a welcome increase of 124,000 lb over the previous year's record crop of 1,682,500 lb. Within the near future I feel confident we may expect to harvest well in excess of the 2 million mark. Including upkeep of our mature areas, the crop cost £92,246 to obtain and realised £162,686 as opposed to £171,058 in the previous year. This represented a short-fall in our revenue of £8,372 but, due to the lower market price obtained and the repayment of the anti-inflationary cess by Government, Malayan Export Duty and Cess were reduced by almost the same figure. Our tin royalty rose by £1,240 and the net result in comparison with the previous year's trading, showed an increase in the profit of £1,652 to £79,316 of which taxation will take £28,990. A final dividend of 12½ per cent, making a total of 18½ per cent for the year, is recommended.

It has been reported there is the possibility of iron ore and manganese ore deposits on Kinta Kellas Estate. Investigations are being made, but for the time being it would be premature to believe that worth while deposits on a commercial scale will be discovered.

The report was adopted.

N. HINGLEY & SONS, LIMITED

IMPROVED RESULTS

The seventy-second annual general meeting of N. Hingley & Sons, Limited was held on September 24th at Dudley, Mr F. N. Lloyd (the chairman) presiding.

The following is an extract from his circulated statement:

I am glad to be able to report improved results for last year which have now recovered to slightly above the 1960 level.

The Trading Profit at £852,180 shows an increase of 14.6 per cent. The Group Profit after Tax comes out at £358,158 which is an increase of 22 per cent on that of the previous year.

As Sales were only up by £200,000 these results taken overall reflect some improvement in operating costs. Your Directors recommend a Final Dividend of 9 per cent, making 12½ per cent for the whole year.

The following is a review of the activities and prospects of our companies:

Hingley Netherton Group: This Group consists of 16 companies with products which are considerably diversified, the most important being forgings and stampings for the aircraft industry and the motor trade, as well as general forgings for all types of industry, grinding media for the cement trade, building bricks and refractories and chain.

TOWN AND COMMERCIAL PROPERTIES

THIRD YEAR OF PROGRESS AND EXPANSION

The Annual General Meeting was held on September 21st at the offices of the Company at 25 Grosvenor Street, W.1. In his Statement which had been circulated with the Report and Accounts for the year ended March 31, 1962, the Chairman, **Ralph C. Yablon, LLB**, reported a third year of progress and expansion even though the results of many important developments undertaken during the period will only appear in the next three years. He welcomed two new members to the Board, Mr E. Kingsley Read, FIA and Mr. W. R. Brackett, OBE, BSc, a Past President of the Royal Institution of Chartered Surveyors, who joins the Company in a consultative capacity on October 1st next.

GENERAL

The Board has followed a consistent policy of acquiring commercial—primarily shop—properties for development. It has avoided over-speculative transactions and what is regarded as over-priced shop rentals. In this connection the Company is fortunate in having the benefit of the skill and experience of Mr A. J. Hines who for nearly a quarter of a century served several national multiple companies as a Consultative Surveyor. Each project is planned on a self-financing basis so that the aggregate of acquisition cost and development expenditure can be borrowed on first mortgage.

Your Directors are of the opinion that well-selected freehold property still affords the finest

COMPANY MEETING REPORTS

The order books in general are somewhat lower than 12 months ago, but this is only to be expected with the current trend of trade in the country today.

This Group also embraces our chain making interests, including the manufacture of wrought iron chain for which we are still finding a demand for specialised purposes.

Rolling Mills Executive: During the last six months of the financial year all the Rolling Mills have suffered considerably from a shortage of orders. Orders are still lagging far behind what is required, but this is no different to other companies in the steel trade.

Wright's Forge Group: The Forge Department at Wright's Forge and Engineering was fully employed during the year. In the constructional department, prices and demand for heavy Class 1 vessels for the oil industry were depressed. Certain re-organisation has been carried out to reduce production costs.

With regard to Westwood and Wright's, the constructional department was fully occupied during the year, mainly on boiler construction and gas works plant.

Samuel Taylor Group: This Group has been undergoing considerable administrative re-organisation during the year.

Samuel Taylor and Sons and Welin-Maclachlan Davits have been re-designing and extending their range of products to meet current shipbuilding requirements, and results here have been encouraging so far.

The business of Richard C. Gibbins is being concentrated at the works of Samuel Taylor and Sons, and it is hoped that considerable economies will result.

hedge against future inflation and, whilst mortgage facilities are available, they intend to avail themselves of this form of long-term finance in preference to the alternative of selling freehold properties and taking back leases.

The scope of the commitments of the Company should in normal circumstances enable it to make full use in the period ending December 31, 1964, of the residue of the funds made available by the Legal and General Assurance Society Limited, who have agreed in principle to advance up to a total of £7,000,000 to be secured by a debenture on certain of the Group's freehold and leasehold properties excluding £233,000 already advanced on Scottish and Irish properties. When existing advances are consolidated in a debenture approximately £5,000,000 will be available down to December, 1964.

FINANCIAL RESULTS

These are best illustrated by the following figures:

	Year ended March 31st	1962	1961	1960
Net Profit before taxation	£	113,310	88,540	72,771
Net Profit after taxation	£	65,549	58,645	34,209
Dividends net	£	64,583	33,434	18,234

The Report and Accounts were adopted and the final dividend of 5 per cent (net), making 7½ per cent (net) for the year, against a forecast of 6½ per cent (net), was approved. Resolutions approving the terms upon which part of the advance by Legal and General Assurance Society Limited may be converted into ordinary shares and certain alterations to the Articles of Association relating (inter alia) to borrowing powers were also passed.

THE ECONOMIST SEPTEMBER 29, 1962

Taylor and Hubbard, whose main business is the supply of railway cranes, had a good year, but is now suffering from the retrenchment policy being adopted by British Railways.

Brown Lenox Group: The volume of sales reached a record level this year, but profit margins were lower. In the current year the level of activity in both the Steel Foundry and the Marine Chain trades is considerably lower, but the demand for our Engineering products continues.

M. & W. Grazebrook Group: M. & W. Grazebrook and Joseph Wright (Fabrications) both had an extremely good trading year. Results to date are encouraging and it is anticipated that this year's results will be satisfactory.

Spanner Boilers Limited: The last year has been primarily one of development. Future prospects are good and will necessitate the extension of our present premises, which it is hoped will be completed within the next year.

International Furnace Equipment Company Limited: This is a designing and contracting company established some thirty years ago. It specialises in the design and erection, on a world wide basis, of gas producer plants working from coal and oil as base stocks. Its other main activity is the design and erection of various types of furnaces for such applications as continuous carburising, heat treatment and the re-heating of billets.

Conclusion: Trading results for the year to date do not as yet show any marked change from those of the preceding year, but matters could improve quite quickly in the event of there being a turn round in the present rather depressing trading conditions.

The report was adopted.

ROMAC INDUSTRIES

The thirty-seventh annual meeting of Romac Industries Limited was held on September 21st in London. Mr R. D. Boyce (the chairman) presiding said:

The trends of recent years towards increased turnover have been continued in 1961-62. Net Profit before Taxation shows a welcome rise from £55,611 to £63,956. Despite rising costs for raw materials and labour, and our policy of avoiding raising prices, this has been attained.

Demands on our EXPORT DIVISION tend to be erratic, but we have no cause to be dissatisfied with the results of the year under review or for the opening period of this current year.

Development of our CABLE DIVISION continues to keep pace with an ever-changing and increasing range of patterns.

The Company's range of CAR SEAT SAFETY BELTS has been successfully launched. Active steps are being taken to foster and develop this product both at home and abroad.

Our EQUIPMENT DIVISION for the supply of heavy vulcanising plant to the tyre repairing trade has expanded from its promising beginning, with the result that already a considerable number of plants have been installed not only in this country but also abroad.

A professional valuation of the Company's FREEHOLD PROPERTY at Hendon has been dealt with in the Accounts, the resultant surplus of £201,158 being placed to Capital Reserve.

Current Assets exceed Liabilities by £211,024, an increase of £11,022. Revenue Reserves now stand at £75,040 (£66,947).

The report was adopted and a total distribution of 30 per cent (27½ per cent) was approved.

THE ECONOMIST SEPTEMBER 29, 1962

ANOTHER YEAR OF SUBSTANTIAL PROGRESS

Sales of our products increased substantially over the previous year, but profit margins were slightly reduced owing to higher overheads.

However, our net profits for the year, before taxation, amounted to £705,815, exceeding by £150,680 the previous year's record figure. I feel that shareholders will look upon this as a satisfactory performance in the light of the difficult trading conditions which prevailed.

In anticipation of even greater demands for the coming winter months and despite the fact that we are "bursting at the seams" we have further increased production during the summer. To date our sales forecasts for the current financial year have been confirmed as orders received from July 1st materially exceed those for the corresponding period last year. A factory with a total floor area of 31,000 square feet is in course of construction on one of the available sites adjacent to our existing works, and is due for occupation by next spring.

It is too early to make an accurate forecast for the year, particularly in view of the ever increasing competition in the domestic heating field. However, we are of the opinion that we can look forward to another year of substantial progress.

E. J. Wade, Chairman.

BANQUE DE BRUXELLES

Société Anonyme

HEAD OFFICE:

2, Rue de la Regence, Brussels

Free bonus and issue for cash of new shares

The 308,000 new Banque de Bruxelles shares will be offered for public subscription from September 20th to October 10th next, inclusive.

These 308,000 new shares are being offered with preference for the owners of the 1,232,000 old shares, including the 112,000 shares distributed as a free bonus as from September 20, 1962, in the proportion of 1 free share in exchange for every 10 no. 31 coupons of the Banque de Bruxelles shares.

Subscription rights may be exercised by means of coupon no. 32 detached from the old shares in the proportion of 1 new share for every 4 coupons no. 32. The subscription price is B.Fr 1,900.- per new share, plus B.Fr 100.- for expenses, i.e. B.Fr 2,000.- each.

The prospectus giving full information can be obtained from any office, branch or agency of the Banque de Bruxelles, the Banque Dubois and the Banque Internationale, Luxembourg.

COMPANY MEETING REPORTS

HARTEBEESTFONTEIN GOLD MINING COMPANY

(Incorporated in the Republic of South Africa)

RISING TREND IN GOLD VALUES MAINTAINED

The thirteenth annual general meeting of Hartbeestfontein Gold Mining Company Limited will be held on November 8th in Johannesburg. The following is an extract from the circulated review of the chairman, Mr B. L. Bernstein:

Satisfactory progress was made during the year under review with the development and the exploitation of the deep level area of the mine, where the rising trend in gold values has been maintained. During the year, 82.9 per cent of the footage sampled in this area was payable at 458 inch-dwt of gold and 24.64 inch-lb of uranium oxide compared with 81.7 per cent payable at 427 inch-dwt and 25.18 inch-lb in the previous year. The total development in the deep area up to June 30, 1962, amounted to 264,422 feet. Of this footage, 87,110 feet have been on reef at an average value of 361 inch-dwt and 22.92 inch-lb, and 82.1 per cent has proved payable at 418 inch-dwt and 24.91 inch-lb. The grade of ore mined from the deep level area increased from an average of 6.62 dwt per ton in the previous year to an average of 7.20 dwt per ton and has to a large extent offset a corresponding decline in the grade of ore mined from the shallow area.

The improved development values are also reflected in the increased tonnage and gold grade of the estimated ore reserve available as at June 30, 1962. In the deep section, which now contains two-thirds of the ore reserve, tonnage increased by 607,000 tons from 2,503,000 tons to 3,110,000 tons and the gold value increased by 1.07 dwt from 8.08 to 9.15 dwt per ton. The uranium value decreased slightly from 0.56 to 0.55 lb per ton.

DEVELOPMENT OF NEW AREAS

The shallow area still provides about one half of the ore sent to the mill. The remainder is drawn from the deep area above the 29th level served by No. 2A shaft. During the course of the next four or five years, whilst these areas are being mined, development of new areas will be undertaken mainly from No. 4 shaft and work will be concentrated on opening up the southern section of the property, which includes the Mapaiskraal claims, below the 29th level.

The combined working profit from gold and uranium for the year ended June 30, 1962, totalled R13,153,895. Uranium royalties paid during the year amounted to R2,885,400 and the provision for tax and lease consideration was R4,027,637. Further interest-free loans resulting from the uranium stretch-out arrangements totalling R1,448,000 and a further loan on housing of R1,000,000 were received. The balance of the loan from Anglo American Corporation of South Africa Limited, amounting to R1,000,000 was repaid on June 30, 1962. Dividends totalling R4,500,000 (50 cents per share) were distributed during the year and an unappropriated balance of R1,604,065 has been carried forward to 1963. Taxation and the share of profits payable to the State represented 54 per cent of the profits after providing for capital expenditure.

Expenditure on capital account for the current financial year is estimated at R2,000,000, to be spent principally on development in the vicinity of No. 4 shaft.

COMPANY NOTICE

ROYAL DUTCH PETROLEUM COMPANY

N. M. Rothschild & Sons announce that the Board of Directors and the Managing Directors of the Royal Dutch Petroleum Company have decided to declare an INTERIM DIVIDEND for the year 1962 of N.fl.s. 2.60 per share.

4. On the Bearer Shares

This dividend, amounting to N.fl.s. 130.— per bearer certificate for 50 shares and N.fl.s. 13.— per bearer certificate for five shares, will be payable on and after October 15, 1962, against surrender of Coupon No. 126 at the office of N. M. Rothschild & Sons on business days, Saturdays excepted, between the hours of 11 a.m. and 2 p.m.

Up to and including October 5, 1962, coupons should be presented at the address given below: ON AND AFTER OCTOBER 9, 1962, THEY SHOULD BE PRESENTED AT ROYAL LONDON HOUSE (EAST ENTRANCE), FINSBURY SQUARE, LONDON, E.C.2, where the Dividend Office of N. M. Rothschild & Sons will then be situated.

Payment will be made in sterling at the buying rate of exchange on Amsterdam current at 2 p.m. on October 9, 1962, in the case of coupons presented on or before that date, or on the day of presentation in the case of coupons presented subsequently. In view of the fact that guilders funds are being provided by the Company for payment of this dividend the usual foreign exchange commission will be deducted from the sterling proceeds.

In the case of shareholders not resident within the Scheduled Territories the paying agent may, at the request of the Authorised Depository presenting the coupons, pay the dividend in a different currency. Information in this respect will be supplied by the paying agent upon request.

Coupons must be accompanied by a declaration in triplicate signed by an Authorised Depository reading:

"We declare under our responsibility that sufficient evidence has been submitted to us that the securities from which the coupons enumerated below have been detached:

(a) do not belong to residents of the Netherlands;

(b) are provided with red export certificates issued by De Nederlandsche Bank N.V."

Coupons must be left for an appropriate period for examination and must be handed in personally. Coupons cannot be paid through the post.

Coupons must be listed in triplicate on special forms, embodying the declaration quoted above, which can be obtained on application.

From the gross dividend the Netherlands dividend tax of 15 per cent is to be deducted except where coupons are presented on behalf of residents in the U.K., the U.S.A., Sweden, Finland, Denmark and France, and the appropriate declaration is provided in accordance with the instructions on the reverse of the listing form.

Where appropriate the usual affidavit certifying non-residence in the United Kingdom will also be required if payment is to be made without deduction of United Kingdom income tax.

B. On the Registered Shares

As to the shares registered in the United Kingdom Section of the Amsterdam Register, the following arrangements have been made for the payment of the interim dividend amounting to N.fl.s. 2.60 per registered share (nominal value fl.s. 20).

On October 10th the sterling amount of the dividend will be fixed on the basis of the sterling/guilder rate of exchange current in Amsterdam on that date.

October 18, 1962, will be the record date. Shareholders registered at the close of business on that date will be entitled to receive the dividend.

On or before November 14, 1962, dividend warrants will be posted by the transfer agent, Nederlandsche Handel-Maatschappij, N.V., to shareholders registered in their books on the record date.

As soon as possible after October 10, 1962, a further announcement will be made giving the rate of exchange, the amount of the dividend in sterling per share and the amount of the 15 per cent Netherlands dividend tax in sterling per share.

New Court, St. Swithin's Lane, London, E.C.4. September 27, 1962.

COMPANY AFFAIRS

For yet another week in the London stock market gilt-edged stocks have held the limelight. At the weekend a fresh wave of investment buying flowed into the gilt-edged market; the pressure ebbed a little on Wednesday but prices went further ahead on Thursday following the news of a further release of special deposits. By contrast the equity market has reflected the uncertainty of buyers and prices fell slightly. Over the week to Wednesday The Economist indicator lost a point to 325.1; ICI's interim statement on Tuesday came as a welcome surprise but its tonic effect on prices was offset by misgivings caused by the fresh fall on Wall Street.

Interim Indications

At this time of the year several of the giants of British industry give their shareholders some indication how their companies are faring. These statements coming in the latter part of September often coincide with periods of uncertainty in stock markets and this year has been no exception. The latest batch of economic statistics offers little ground for optimism that production and profits will expand rapidly and investors have continued to take a cautious line, while the sharp fall on Wall Street has given buyers little incentive to enter the market. But these interim statements have provided one or two fitful rays of sunlight through the clouds.

As usual, the statement that was awaited with the keenest interest was that from Imperial Chemical Industries. Tuesday's figures from ICI were in fact very much better than had been expected, for in some quarters gross income had been forecast at little more than the depressed level of £25 million for the second half of 1961. But as the table shows profits in fact were only slightly down on the comparable period in 1961 and indeed before depreciation, which took almost £2 million more, they were slightly higher. Probably the most encouraging feature of these results is that the slide in profit margins has been halted.

SALES AND PROFITS

Six months ended	June 30, 1961	Dec. 31, 1961	June 30, 1962
Sales	£ mn. 287.0	£ mn. 263.0	£ mn. 292.0
Gross income	36.7	25.1	35.0
Taxation	16.3	11.4	16.2
Net income	19.2	13.2	17.6
	%	%	%
Gross income/sales	12.8	9.5	12.0
Net income/sales	6.7	5.0	6.0

Commenting on the sales which reached new peaks both at home and overseas the directors say the volume of sales was about 4 per cent higher than in the first half of 1961 though their value was only marginally higher as selling prices were lower. Even so exports rose from £49 million to £51.9 million. The effect of the higher volume of sales on margins has however been more than offset by lower selling prices and higher wages. In looking at the results shareholders have to allow for two compli-

cations. First, the employee sharing scheme has been revised in such a way that on the 1961 results it would have reduced the bonus from 2s. 1d. to 1s. 6d. in the £ in wages. The gross bonus in 1961 took almost £9 million and if the new basis had been used gross income for the first half of 1961 could have been as much as £1.1 million higher; but against this must be set the fact that juveniles are now eligible for the bonus. Secondly, ICI is now receiving income from its 37.4 per cent equity holding in Courtaulds and is having to pay a charge on the £76 million of loan stock issued in exchange. It seems that profits have been credited with an estimated quarter's income from Courtaulds but that this has been more or less matched by debiting profits with an estimated charge for a quarter's interest on the loan stock. The first of the three tax free payments from Courtaulds has not been brought into profits but has been set against the cost of the holding.

These results are certainly in accord with the forecast made by Mr Paul Chambers at the time of the Courtaulds battle that 1962 would be a better year for ICI than 1961. The directors say that present indications are that sales in the current six months will exceed those for the second half of 1961 and that this, together with growing benefits from improved efficiency, should lead, as already forecast, to higher profits for 1962. This should result in some improvement in the cover of 1.4 times for the dividend of 13½ per cent.

The prospect of some improvement is also held out by the directors of Associated Electrical. They have cut the interim dividend from 5 to 3½ per cent, but have softened the blow by forecasting higher profits for 1962 as a whole and expressing the hope that the year's dividend will in fact be maintained at 10 per cent. Profits for the first half of 1962 were only slightly down on those for the corresponding period for 1961 and this in fact has resulted in a sharp improvement in margins from their miserably depressed level in the second half of 1961. The optimistic tone of AEI's interim statement is backed by the rise in orders in the first half of 1962 to a new peak of £118½ million (with export orders

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41 per cent higher than in the first half of 1961). The general pattern of AEI's business does not seem to have changed much and the directors report that the capital equipment market remains depressed and the domestic appliance business in this country continues to suffer from surplus capacity.

SALES AND PROFITS

Six months ended	June 30, 1961	Dec. 31, 1961	June 30, 1962
Output	£ mn. 99.4	£ mn. 105.3	£ mn. 99.9
Trading profit	9.12	7.41	8.87
Gross profit	4.74	2.37	4.55
Gross profit/output (%)	4.77	2.25	4.55
Orders received	102.6	110.9	118.5

But fortunately the pattern is not uniform and orders for equipment for electricity generation and distribution and telecommunications have risen. An assessment of AEI's future prospects must be clouded to some extent by its huge overdraft which, together with acceptance credits, amounted to £22½ million at the end of 1961; but although some part of the reduction in interest charges to £1.1 million, compared with £1.6 million in the second half of 1961 must relate to lower interest rates, it would seem to indicate that some fall in borrowings has taken place.

There is no sign of a halt in the trend to narrower margins in the interim results of Vickers. Indeed these hardly accord with Lord Knollys's admittedly none too confident forecast that 1962 profits might be "rather better" than those for 1961. The directors, now headed by Major General Sir Charles Dunphie, now expect profits before tax to be "slightly lower." But even this forecast implies that a fairly sharp recovery from the fall of over 23 per cent in profits in the first half of 1962 is now

SALES AND PROFITS

Six months ended	June 30, 1961	Dec. 31, 1961	June 30, 1962
Sales	£ mn. 84.81	£ mn. 84.35	£ mn. 74.13
Gross profit	4.71	4.65	3.62
Gross profit/sales (%)	5.55	5.53	4.88
Orders on hand	299.0	286.0	298.0
Net assets	119.83	120.40	122.72
Gross profit/net assets (%)	3.93	3.87	2.95

taking place. The fall in sales in the first half of the year is however more than accounted for by the fact that most of the Vanguards had been delivered in 1961 though this hardly explains the fall in margins as these planes produced little by way of profit. But a clue both to this fall in margins and to the source of better profits at the moment is given in the directors' comment that "activity is being well maintained, except in steel and some sections of engineering." Orders at the end of June were £12 million higher than at the end of 1961 so that they are now at the same level as they were in the middle of 1961. With Vickers again enjoying "favourable tax reliefs" the customary dividend of 10 per cent looks safe enough but this will not make any impact on the high yield.

On the shipbuilding side Vickers' short term prospects seemed a little more encouraging for orders at the end of 1961

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were sufficient to ensure full working in its shipyards for almost two years. But for Swan Hunter and Wigham Richardson this year is clearly a difficult one; in April the chairman described the order book as "comparatively favourable" but he added that only a small number of new contracts would be completed this year and that profits would be adversely affected. Now, in announcing an unchanged interim of 2½ per cent the directors say that they will not be able this year to repeat the 2 per cent bonus (which was paid with the final dividend both in 1960 and 1961) as owing "to the continuing adversity of the shipbuilding industry there will be a substantial reduction in profits." The extent of the fall in profits can be inferred from the directors' statement that the total dividend will be maintained at 10 per cent "even if it should become necessary to draw to some extent on the company's reserves for that purpose." Last year's 12 per cent dividend was paid from earnings of 28½ per cent. As Swan Hunter is recognised as an efficient shipyard the prospects for some other groups in this depressed industry look bleak indeed.

But from Merseyside there is at least the prospect that the ordinary dividend of Cammell Laird will be kept for 1962 at 10 per cent, to which it was reduced in 1961. With better results being achieved by the Patent Shaft Steel Works (and this presumably means that it is making a smaller loss) the directors expect profits for the current year to exceed those for 1961 provided certain shipbuilding contracts are completed before the end of the year. However they tell shareholders that shipbuilding orders at remunerative prices remain extremely scarce and the demand for steel (Cammell Laird has a 25 per cent interest in English Steel) remains low and that the results for future years depend largely upon improvements in these fields.

Like the shipbuilders the cotton textile industry is finding the going hard but the wide spread interests of English Sewing Cotton have so far protected it from the worst. Thus in 1961 lower profits in this country were offset by higher earnings from American Thread and a 2½ per cent bonus was added to the 12½ per cent dividend. In announcing a maintained dividend of 5 per cent the directors now say that trading results for the first half of 1962 are appreciably lower than those for the corresponding period of 1961. They hope to maintain the total dividend at 12½ per cent; they do not however mention the bonus payment. Clearly the benefits of diversification are now being outweighed by the effects of the general recession in the textile industry in this country; it also seems likely that American Thread is not doing so well.

PRICES AND YIELDS

	1962		Sept.	Div.	Yield.
	High	Low	27	%	%
ICI (£1)	58/-	47/6	51/6	13½	5.33
AEI (£1)	33/3	23/-	33/3	10	6.02
Vickers (£1)	31/1½	23/6	24/-	10	8.33
Swan Hunter (£1) ..	38/4	24/-	24/-	10	8.33
Cammell Laird (5/-)	6/-	4/3	5/7½	10	8.89
Eng. Sew. Ccn. (£1)	32/-	25/4	28/3	12½	8.85

COMPANY AFFAIRS

Linoleum Merger

In the highly competitive floor covering industry the linoleum trade has been taking some hard knocks, including an adverse judgment on its price fixing arrangements by the Restrictive Practices Court. It is not, therefore, surprising to find two of the biggest linoleum companies, Michael Nairn and Greenwich and James Williamson, agreeing on a merger. This follows the recent hiving off by Nairn of its quoted trade investments and gilt edged holdings into a separate company, in which the bulk of the shares, but not the voting control, was distributed to Nairn shareholders. This can now be seen as a preliminary step to the merger which is to be effected by Nairn offering five £1 shares for every eleven 10s. ordinary or "A" shares in Williamson. On a full acceptance Williamson shareholders will hold about 35½ per cent of the combined equity; this is in line with Williamson's contribution to equity earnings last year but is somewhat less than its contribution of about 45 per cent to combined assets. But stocks figure largely in both companies' balance sheets, accounting for £8 million of total assets of £19 million, and the directors look for a significant reduction in stocks in the long-term as a result of the merger. The combined group will have well over half of the linoleum market in this country and should now be better placed to face severe competition from the newer type of floor coverings and to develop its other interests such as leather cloth, Dadolin wall covering and vinyl tiles.

On the pre-bid price of 15s. 9d. the offer valued Williamson ordinary and "A" shares at 7s. 1½d. against the current price of 7s. 9d. But the price of the shares has not fallen back, for shareholders are offered a slight increase in dividend as the directors believe that profits of the combined group for 1962-63 should justify a dividend of 8½ per cent. This compares with the recent forecast to Nairn shareholders of a dividend of 8 per cent for its first financial year ex the investment subsidiary. For Williamson shareholders this year's dividend is effectively being maintained at 7½ per cent (to which it had been reduced from 13½ per cent for 1960) and the forecast dividend for 1962-63 offers them a fractional increase in income to just under 7½ per cent. At 16s. 6d. Nairn shares offer a yield of just over 10½ per cent and Williamson shares at 7s. 10½d. a fraction less; these returns seem to discount many of the uncertainties.

dimplex

A warm glow pervades Mr E. J. Wade's chairman's statement with the full accounts of Dimplex—as well it might after successive increases of 75 and 27 per cent in gross profits and an ordinary dividend more than doubled in the past two years. In the year to June 30th last profits before tax rose from £555,000 to £706,000, but increased efficiency in production failed to

offset higher overheads and with no increase in selling prices margins were slightly lower. Costs seems likely to show a further sharp rise in the current year, for in anticipation of a further increase in demand for its heating appliances Dimplex stepped up production this summer, extending overtime and night shift working. Mr Wade reports that the group's five Southampton factories are "bursting at the seams" and he does not expect any easing in the pressure until a new factory is completed in the spring.

Stockpiling of heaters in the summer is reflected in the sharp increase in stocks from £618,000 to £816,000 at June 30th, but liquid assets, made up of a cash holding of £121,000 and local authority loans of £275,000, have risen. The company's rapid growth has been matched by the performance of its 5s. shares. They now stand at 84s. 9d. and as the directors feel that the high price tends to discourage small investors they propose to split the shares into 1s. units. This has a commercial as well as an investment significance, for the directors see every shareholder as a potential customer and an "ambassador" for the company's products. Although Dimplex's past record is excellent the current yield of 2½ per cent (which would improve to 3½ per cent if the 40 per cent dividend is maintained after the two for five scrip issue) looks well into a future which may not glow as brightly as the past. Investors should note that in saying it is too early to make an accurate forecast for the current year Mr Wade refers to "the ever-increasing competition in the domestic heating field."

Qualcast

SHAREHOLDERS in Qualcast, the light ironfounders whose activities range from lawn mowers to castings for the motor industry, will hardly be excited by the results for the year to June 30th; and in view of earlier statements by the chairman, Mr Victor Jobson, they may even feel a little disappointed. In April when he reported a fall of 7.4 per cent in trading profits in the first half of the financial year, he said that "things definitely look brighter for us all," and in July he was "sure we shall all be satisfied with the group's results." On the face of it, the advance of nearly 13 per cent from £1,804,000 to £2,018,000 in trading profits is satisfactory. But once the eleven months' earnings of Charles H. Pugh, the makers of "Atco" lawn mowers acquired last December, are excluded the advance is less impressive: indeed, earnings on the capital as increased by the 1.1 million ordinary shares issued for the acquisition of Pugh have fallen from 42 to about 40½ per cent.

The dividend of 18 per cent on the bigger capital is as forecast in December. But the one-for-ten scrip issue is a good augury. The group's orders from its customers in the motor industry should be higher this year and presumably shareholders can expect a maintained dividend on the bigger capital; on this reckoning the 5s. shares at 24s. yield 4.1 per cent.

AND YIELDS

Prices, 1962				Last Two Dividends (a) (b) (c)				ORDINARY STOCKS				Price, Sept. 19, 1962				Price, Sept. 26, 1962				Yield, Sept. 26, 1962				Cover																
High	Low	%	%	High	Low	%	%	High	Low	%	%	High	Low	%	%	High	Low	%	%	High	Low	%	%	High	Low	%	%													
32/6	23/-	10	c	32/6	23/-	10	c	A.E.I.	29/6	32/6	6 15	1	27/9	19/9	10	a	20 b	Assoc. British Picture	22/3	21/6	6-98	23	12/6	9/-	15	c	32/6	23/-	10	c	32/6	23/-	10	c	32/6	23/-	10	c		
66/3	59/4	4	a	66/3	59/4	4	a	Brit. Electronic Ind.	5/-	9/7 1/2	9 41/2	1	33/10	33/10 1/2	20	a	14 b	Assoc. Television 'A'	21/-	21/-	14-29	11 1/2	13/6	9/4	15	c	32/6	23/-	10	c	32/6	23/-	10	c	32/6	23/-	10	c		
13/9 1/2	11/6	6-8	b	13/9 1/2	11/6	6-8	b	Crompton Parkinson	13/8 1/2	13/8 1/2	4 16	2	39/4 1/2	29/10 1/2	3 1/2	a	62 b	Beecham Group	38/10 1/2	37/10 1/2	1-29	11 1/2	13/6	9/4	15	c	32/6	23/-	10	c	32/6	23/-	10	c	32/6	23/-	10	c		
89/6	63/-	22 1/2	c	89/6	63/-	22 1/2	c	Decca	10/-	71/6	73/-	3-20	13/6	11/6	6 1/2	a	4 a	British Match	33/3	33/3	6-62	10 1/2	13/6	9/4	15	c	32/6	23/-	10	c	32/6	23/-	10	c	32/6	23/-	10	c		
45/6	32/3	12 1/2	b	45/6	32/3	12 1/2	b	E.M.I.	10/-	34/3	32/9	5 3/4	2	9/10 1/2	7/6 1/2	3	a	7 b	British Oxygen	11/6	11/6 1/2	4-58	11 1/2	13/6	9/4	15	c	32/6	23/-	10	c	32/6	23/-	10	c	32/6	23/-	10	c	
54/6	39/-	5	a	54/6	39/-	5	a	Elliot-Automation	5/-	44/1 1/2	42/8 1/2	1 6/4	2	44/-	30/11 1/2	5 1/2	a	9 1/2 b	British Ropes	7/6 1/2	7/6 1/2	6-61	11 1/2	13/6	9/4	15	c	32/6	23/-	10	c	32/6	23/-	10	c	32/6	23/-	10	c	
27/9	20/9	5	b	27/9	20/9	5	b	English Electric	11	25/3	26/6	1 6/4	1 1/2	42/-	27/11 1/2	5 1/2	a	9 1/2 b	De La Rue	10/-	41/-	38/6	3-57 1/2	11 1/2	13/6	9/4	15	c	32/6	23/-	10	c	32/6	23/-	10	c	32/6	23/-	10	c
37/9	26/-	7	a	37/9	26/-	7	a	General Electric	11	49/4	49/4	0	1 1/2	55/9	41/6	15	c	7 1/2 a	Gestetner 'A'	5/-	35/6	33/6	2-24	2 1/2	13/6	9/4	15	c	32/6	23/-	10	c	32/6	23/-	10	c	32/6	23/-	10	c
59/3	38/6	6	b	59/3	38/6	6	b	General Electric	11	49/4	49/4	0	1 1/2	55/9	41/6	15	c	7 1/2 a	Glaxo	10/-	44/3	43/3	3-47	3 1/2	13/6	9/4	15	c	32/6	23/-	10	c	32/6	23/-	10	c	32/6	23/-	10	c
50/-	38/6	6	b	50/-	38/6	6	b	A. Raylton	11	49/4	49/4	0	1 1/2	55/9	41/6	15	c	7 1/2 a	Harrison & Cr. Delf.	5/-	43/3	43/3	6-15	2 1/2	13/6	9/4	15	c	32/6	23/-	10	c	32/6	23/-	10	c	32/6	23/-	10	c
82/6	58/-	25	c	82/6	58/-	25	c	Thorn Electrical	5/-	81/3																														

FOREIGN AND OVERSEAS STOCKS

	Sept. 19 \$	Sept. 26 \$		Sept. 19 \$	Sept. 26 \$		Sept. 19 \$	Sept. 26 \$		Sept. 19 \$	Sept. 26 \$		Sept. 19 \$	Sept. 26 \$		Sept. 19 \$	Sept. 26 \$
Atch. Topka	214 ¹ / ₂	213 ¹ / ₂	Boeing	401 ¹ / ₂	381 ¹ / ₂	Int. Harvester	461 ¹ / ₂	455 ¹ / ₂									
Can. Pacific	201 ¹ / ₂	195 ¹ / ₂	Celanese	36	32 ¹ / ₂	Int. Nickel	59 ¹ / ₂	55 ¹ / ₂									
Pennsylvania	116 ¹ / ₂	103 ¹ / ₂	Chrysler	57 ¹ / ₂	54 ¹ / ₂	Inter. Paper	26 ¹ / ₂	25 ¹ / ₂									
Union Pacific	301 ¹ / ₂	301 ¹ / ₂	Col. Palmolive	39 ¹ / ₂	38 ¹ / ₂	Kennecott	64 ¹ / ₂	61 ¹ / ₂									
Amer. Electric	65 ¹ / ₂	62 ¹ / ₂	Crown Zeller	42 ¹ / ₂	41 ¹ / ₂	Monanto	42 ¹ / ₂	40 ¹ / ₂									
Am. Tel. & Tel.	111 ¹ / ₂	111 ¹ / ₂	Disaster Seas	39 ¹ / ₂	37 ¹ / ₂	Nat. Distillers	23 ¹ / ₂	22 ¹ / ₂									
Cons. Edison	76 ¹ / ₂	73 ¹ / ₂	Douglas	23 ¹ / ₂	20 ¹ / ₂	Nat. American	19 ¹ / ₂	17 ¹ / ₂									
Int. Tel. & Tel.	40 ¹ / ₂	36 ¹ / ₂	Dow Chemical	53 ¹ / ₂	49 ¹ / ₂	Procter Gamble	67 ¹ / ₂	61 ¹ / ₂									
South'n. Nat. Gas ..	45 ¹ / ₂	43 ¹ / ₂	Ou Pont	209 ¹ / ₂	197 ¹ / ₂	Radio Corp.	49 ¹ / ₂	46 ¹ / ₂									
United Corp.	77 ¹ / ₂	71 ¹ / ₂	East Kodak	101 ¹ / ₂	95 ¹ / ₂	Sears Roebuck	74 ¹ / ₂	70 ¹ / ₂									
Western Union	7 ¹ / ₂	2 ¹ / ₂	Ford Motor	43 ¹ / ₂	41 ¹ / ₂	Shell Oil	32	31 ¹ / ₂									
Alcoa	57 ¹ / ₂	53 ¹ / ₂	Gen. Electric	62 ¹ / ₂	60 ¹ / ₂	Socoy Mobile	45 ¹ / ₂	43 ¹ / ₂									
Aluminum	21 ¹ / ₂	20 ¹ / ₂	General Foods	73 ¹ / ₂	70 ¹ / ₂	Stand. Oil Ind.	45 ¹ / ₂	43 ¹ / ₂									
Amer. Can.	47 ¹ / ₂	43 ¹ / ₂	General Motors	54 ¹ / ₂	52 ¹ / ₂	Stand. Oil N.J.	53	51									
Am. Smelting	58 ¹ / ₂	53 ¹ / ₂	Goodyear	28 ¹ / ₂	27	Union Carbide	92 ¹ / ₂	86 ¹ / ₂									
Am. Viscose	55 ¹ / ₂	51 ¹ / ₂	Gulf Oil	36 ¹ / ₂	35	U.S. Steel	41 ¹ / ₂	40 ¹ / ₂									
Anacosta	37 ¹ / ₂	37 ¹ / ₂	Hinz	43 ¹ / ₂	38 ¹ / ₂	West. Electric	26 ¹ / ₂	26 ¹ / ₂									
Beth. Steel	30 ¹ / ₂	30 ¹ / ₂	Int. Bus. Mach.	386 ¹ / ₂	355 ¹ / ₂	Woolworth	65	61 ¹ / ₂									

Standard and Poor's Indices (1941-43 = 10)

1962	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
Aug. 29	61-38	3-51	28-35	5-69	57-38	3-58	89-43	3-94
Sept. 5	60-76	3-54	27-98	5-77	57-23	3-59	89-32	3-95
" 12	61-62	3-50	27-95	5-58	57-38	3-59	89-43	3-94
" 19	61-72	3-49	27-61	5-85	57-69	3-57	89-54	3-93
" 26	58-62	3-67	27-04	5-91	55-77	3-70	89-54	3-9

* Ex dividend. † Tax free. ‡ Assumed average life, 7½ years. § The net redemption yields allow for tax at 7s. 9d. in £.

* Yields based on assumed dividends:—Bass, Mitchells & B., 11%. Charrington United, 12%. City Centre Props., 30%. De La Rue, 13½%. District Bank, 12½%. English & Scottish
 Cotton, 12½%. Equity & Law Life, 26½%. Guardian, 26½%. Ind. Coops. T.A., 12% on merger terms. R.T.Z., 15%. Rhodestan Selection Trust, 18%. Royal Insurance, 30%.
 Swan Hunter, 10%.

Effective Limits		Market Rates : Spot						
	September 26	September 20	September 21	September 22	September 24	September 25	September 26	
United States \$	2-78-2 82*	2-80-80 ¹ / ₈	2-80-80 ¹ / ₈	2-80-80 ¹ / ₈	2-80-80 ¹ / ₈	2-80 ¹ / ₂ -3 ¹ / ₈	2-80 ¹ / ₂ -3 ¹ / ₈	
Canadian \$	13 622-14 027	3-01 ¹ / ₂ -3 ¹ / ₈	3-01 ¹ / ₂ -3 ¹ / ₈	3-01 ¹ / ₂ -3 ¹ / ₈	3-01 ¹ / ₂ -3 ¹ / ₈	3-01 ¹ / ₂ -3 ¹ / ₈	3-01 ¹ / ₂ -3 ¹ / ₈	
French Fr.	11-94-12 54 ⁷ / ₈	13-72-72 ¹ / ₄	13-72-72 ¹ / ₄	13-72-72 ¹ / ₄	13-72 ¹ / ₂ -72 ¹ / ₄	13-72 ¹ / ₂ -72 ¹ / ₄	13-72 ¹ / ₂ -72 ¹ / ₄	
Swiss Fr.	13 96-	12-11 ¹ / ₂ -12	12-10 ¹ / ₂ -7 ¹ / ₈	12-10 ¹ / ₂ -11	12-10 ¹ / ₂ -3 ¹ / ₄	12-10 ¹ / ₂ -11	12-10 ¹ / ₂ -7 ¹ / ₈	
Belgian Fr.	142-05	139-32 ¹ / ₂	139-32 ¹ / ₂	139-32 ¹ / ₂	139-32 ¹ / ₂	139-32 ¹ / ₂	139-32 ¹ / ₂	
Dutch Gld.	9 98 ¹ / ₂ -10 28 ¹ / ₂	10-08 ¹ / ₂ -09	10-08 ¹ / ₂ -09	10-08 ¹ / ₂ -09	10-08 ¹ / ₂ -09	10-07 ¹ / ₂ -08 ¹ / ₂	10-07 ¹ / ₂ -08 ¹ / ₂	
W. Ger. D-Mk.	11-037-11-365	11-20 ¹ / ₂ -1	11-20 ¹ / ₂ -1	11-20 ¹ / ₂ -1	11-20 ¹ / ₂ -1	11-20 ¹ / ₂ -1	11-20 ¹ / ₂ -1	
Portug. Esc.	1725-1775	80-15-25	80-15-25	80-15-25	80-15-25	80-15-25	80-15-25	
Italian Lire	14 27 ¹ / ₂ -14 70	1737 ¹ / ₂ -38	1737 ¹ / ₂ -38	1737 ¹ / ₂ -38	1737 ¹ / ₂ -38	1738-38 ¹ / ₂	1738-38 ¹ / ₂	
Swedish Kr.	19 06 ¹ / ₂ -19 62	14-42 ¹ / ₂ -43 ¹ / ₈	14-42 ¹ / ₂ -43 ¹ / ₈	14-42 ¹ / ₂ -43 ¹ / ₈	14-42 ¹ / ₂ -43 ¹ / ₈	14-42 ¹ / ₂ -43 ¹ / ₈	14-42 ¹ / ₂ -43 ¹ / ₈	
Danish Kr.	19 71-20 30 ¹ / ₂	19-39 ¹ / ₂ -1	19-39 ¹ / ₂ -1	19-39 ¹ / ₂ -1	19-39 ¹ / ₂ -1	19-38 ¹ / ₂ -1	19-38 ¹ / ₂ -1	
Norwegian Kr.		20 02 ¹ / ₂ -03	20 02 ¹ / ₂ -03	20 02 ¹ / ₂ -03	20 02 ¹ / ₂ -03	20 02 ¹ / ₂ -03	20 02 ¹ / ₂ -03	
Official Limits								
One Month Forward Rates								
United States \$		3 ¹ / ₈ -1 ¹ / ₂ cc. pm	1 ¹ / ₂ -1cc. pm	1 ¹ / ₂ -1cc. pm	1 ¹ / ₂ -1cc. pm	1 ¹ / ₂ -1cc. pm	1 ¹ / ₂ -1cc. pm	
Canadian \$		5 ¹ / ₈ -7 ¹ / ₂ cc. dis	5 ¹ / ₈ -7 ¹ / ₂ cc. dis	5 ¹ / ₈ -7 ¹ / ₂ cc. dis	5 ¹ / ₈ -7 ¹ / ₂ cc. dis	5 ¹ / ₈ -7 ¹ / ₂ cc. dis	5 ¹ / ₈ -7 ¹ / ₂ cc. dis	
French Fr.		1 ¹ / ₂ cc. pm	1 ¹ / ₂ -1cc. pm	1 ¹ / ₂ -1cc. pm	1 ¹ / ₂ -1cc. pm	1 ¹ / ₂ cc. pm	1 ¹ / ₂ cc. pm	
Swiss Fr.		23 ¹ / ₂ -17cc. pm	21 ¹ / ₂ -13cc. pm	21 ¹ / ₂ -13cc. pm	21 ¹ / ₂ -13cc. pm	21 ¹ / ₂ cc. pm	17 ¹ / ₂ -13cc. pm	
Belgian Fr.		23-13cc. pm	23-13cc. pm	23-13cc. pm	23-13cc. pm	20-10cc. pm	20-10cc. pm	
Dutch Gld.		1 ¹ / ₂ -3cc. pm	1 ¹ / ₂ -3cc. pm	1 ¹ / ₂ -3cc. pm	1 ¹ / ₂ -3cc. pm	7-3cc. pm	3 ¹ / ₂ cc. pm	
W. German D-Mk.		1 ¹ / ₂ -1pf. pm	1 ¹ / ₂ -1pf. pm	1 ¹ / ₂ -1pf. pm	1 ¹ / ₂ -1pf. pm	1 ¹ / ₂ -1 ¹ / ₂ pf. pm	1 ¹ / ₂ -1 ¹ / ₂ pf. pm	
Three Months Forward Rates								
United States \$		7 ¹ / ₈ -5 ¹ / ₂ cc. pm	7 ¹ / ₈ -5 ¹ / ₂ cc. pm	7 ¹ / ₈ -5 ¹ / ₂ cc. pm	7 ¹ / ₈ -5 ¹ / ₂ cc. pm	1 ¹ / ₂ -3cc. pm	1 ¹ / ₂ -3cc. pm	
Canadian \$		15 ¹ /						

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

UK External Trade

Imports are valued cif: exports fob.
Total trade unless otherwise stated.

	Unit	Monthly averages			1961			1962				
		1959	1960	1961	June	July	August	April	May	June	July	August
VALUE												
Imports:	£ million	331.9	378.4	366.5	371.3	350.2	358.8	349.1	411.6	369.9	387.2	382.2
Total	"	126.5	128.1	123.6	122.9	114.5	113.9	125.4	153.1	131.7	133.4	126.3
Food, drink and tobacco	"	77.6	88.3	82.1	84.6	76.8	87.0	67.3	80.7	73.4	77.2	79.3
Basic materials	"	38.9	40.0	40.3	37.8	41.3	38.7	37.3	48.9	44.3	47.5	52.7
Fuels	"	87.6	120.5	118.9	124.1	116.1	117.8	118.1	127.7	119.1	127.5	122.5
Manufactures	"											
Exports of UK produce:												
Total	"	277.5	296.2	306.9	316.3	308.7	305.2	327.3	337.6	317.0	327.8	289.8
Manufactures—Total	"	234.5	250.0	259.9	270.2	263.8	259.6	276.9	286.6	272.0	279.1	240.8
Metals	"	37.8	39.3	39.5	39.9	40.8	35.9	38.0	43.6	38.0	41.2	36.0
Engineering products	"	122.4	131.0	139.5	150.3	140.0	148.3	156.8	152.1	151.2	152.7	123.8
Textiles	"	20.7	21.7	20.8	19.6	21.4	19.1	20.0	22.4	21.3	20.9	19.8
Re-exports	"	10.9	11.8	13.2	13.8	14.4	13.4	14.2	15.6	13.4	12.3	10.6
Balance of trade (exports less imports)	"	-43.5	-70.4	-46.4	-41.2	-27.1	-40.2	-7.6	-58.4	-39.5	-47.1	-81.8
VOLUME (1)												
Imports:	1954=100	122	138	135	137½	128	128½	140½	146	143		
Total	"	118	121	121	121½	115	115½	131½	131	131		
Food, drink and tobacco	"	101	110	101	106½	94	94½	96½	96	96		
Basic materials	"	143	157	164	162½	155	155½	178½	178	178		
Fuels	"	150	201	196	198½	187	187½	202½	202	202		
Manufactures	"											
Exports:	"	116	122	125	127½	119	119½	133½	133	133		
Total	"	117	124	127	131½	121	121½	135½	135	135		
Manufactures	"											
BY AREA												
Imports:	£ million	30.9	47.1	40.2	32.7	28.3	36.2	36.1	40.5	35.7	37.1	34.0
USA	"	26.0	31.2	29.1	30.3	29.4	31.5	24.4	32.9	30.1	31.8	34.7
Canada	"	26.8	25.8	23.2	26.2	24.2	21.8	26.8	31.7	25.6	29.8	28.8
Latin America	"	46.6	55.1	56.5	60.1	57.2	56.3	54.4	63.3	66.3	59.0	58.6
West'n. Europe—Common Market	"	39.0	46.5	46.2	51.7	48.8	47.2	42.0	48.5	44.6	49.5	46.5
Free Trade Association (2)	"	9.7	11.6	13.0	11.7	13.5	16.7	10.0	10.3	14.4	13.9	15.8
Soviet Eastern Europe	"	32.7	35.6	35.7	32.0	28.1	29.0	40.2	43.4	35.8	29.2	38.5
Other Non-Starling	"											
Starting area	"	120.2	125.5	122.6	126.6	120.7	120.1	115.2	141.0	117.4	136.9	125.3
Exports of UK produce:												
USA	"	30.0	27.1	23.4	23.0	23.3	25.2	28.3	30.3	26.1	27.4	25.9
Canada	"	17.3	17.9	18.5	18.4	18.1	18.7	17.0	17.5	17.5	18.3	15.0
Latin America	"	12.9	14.3	13.9	14.3	14.7	12.7	13.7	15.7	13.4	18.0	12.5
West'n. Europe—Common Market	"	38.8	43.3	51.1	52.3	53.2	46.4	60.9	65.7	58.2	66.1	54.5
Free Trade Association (2)	"	32.0	35.9	40.1	40.3	40.3	34.2	47.2	46.6	40.9	41.8	37.0
Soviet Eastern Europe	"	5.1	6.4	8.8	9.7	8.7	9.7	10.1	8.2	8.6	9.6	9.3
Other Non-Starling	"	29.6	32.2	34.3	36.4	36.6	33.9	36.9	37.8	37.4	34.1	32.2
Starting area	"	111.8	119.1	116.8	114.1	113.8	124.4	111.5	116.3	114.9	112.5	103.4
TRADE IN SELECTED COMMODITIES												
Imports:	'000 tons	356.3	342.0	327.5	309.8	323.0	350.6	326.2	374.9	364.0	330.7	371.6
Wheat	"	67.6	69.3	61.2	74.9	68.0	51.3	60.8	73.0	48.6	74.3	62.4
Meat	"	201.8	183.3	172.4	168.8	140.2	172.1	178.3	228.4	192.9	161.9	114.1
Sugar, unrefined	"											
Raw cotton (2)	"	22.5	22.5	18.4	16.3	9.8	16.0	17.3	20.4	19.9	13.9	14.5
Raw wool, sheep's and lambs' (2)	mn. lb.	58.6	49.8	49.4	48.7	42.4	32.0	48.0	58.8	34.7	49.2	33.6
Rubber, natural and synthetic (2)	'000 tons	17.0	16.2	16.2	14.0	11.5	18.9	13.6	11.2	12.3	12.0	19.7
Softwood	'000 stds.	121.7	150.0	134.2	173.8	179.0	202.3	56.4	107.5	168.7	191.3	202.9
Woodpulp	'000 tons	185.4	225.4	215.1	226.5	161.4	193.0	193.9	214.8	189.4	186.9	215.4
Crude petroleum	mn. galls.	847	963	1,059	1,010	1,080	1,065	947	1,186	1,145	1,234	1,397
Exports of UK produce:												
Coal, including bunkers	'000 tons	343	455	475	505	493	382	392	389	348	500	405
Woven piece-goods—cotton	mn. sq. yds.	29	27	24	22	23	21	19	21	19	21	17
Wool	'000 sq. yds.	8,536	8,089	7,528	7,043	8,387	7,964	6,823	6,895	8,269	7,807	8,385
Passenger cars and chassis	number	47,414	47,491	30,897	31,937	31,497	27,988	51,266	45,935	49,899	49,024	36,750
Commercial vehicles and chassis	"	10,619	12,127	13,913	16,437	14,877	11,428	13,477	13,688	12,685	13,061	9,541
Agricultural tractors	"	9,474	11,951	11,790	12,218	13,318	11,470	11,230	13,727	13,804	12,912	9,901
Machinery—electrical	£'000	5,706	5,257	5,506	5,924	5,729	4,758	5,867	5,943	6,351	5,814	6,141
Other	"	47,264	52,948	61,374	62,665	62,323	56,925	66,405	67,888	63,730	64,631	56,158
Chemicals, elements and compounds	"	5,862	6,442	6,422	5,970	5,972	5,620	6,562	7,321	6,452	6,876	6,492

(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.

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CHARLES H. STEWART, Secretary to the University.

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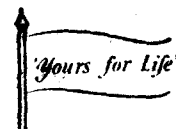
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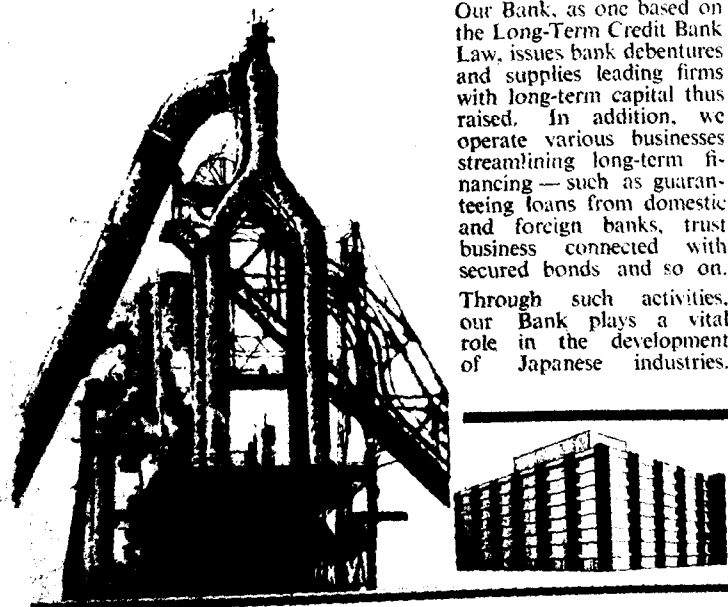
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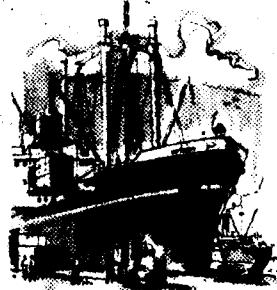
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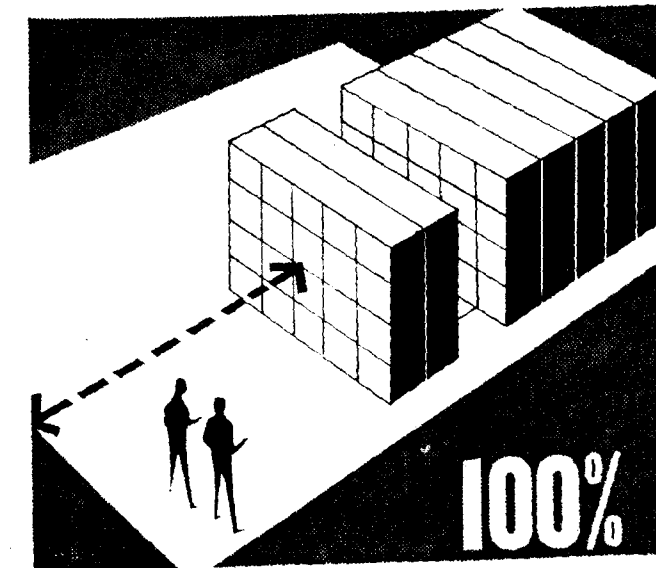
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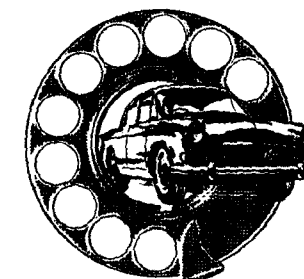
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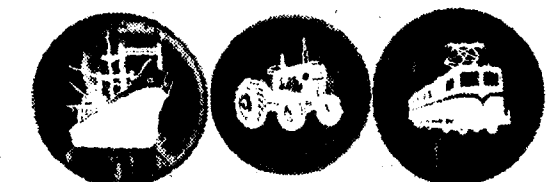
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