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The Economist

1962 - October 6, 13

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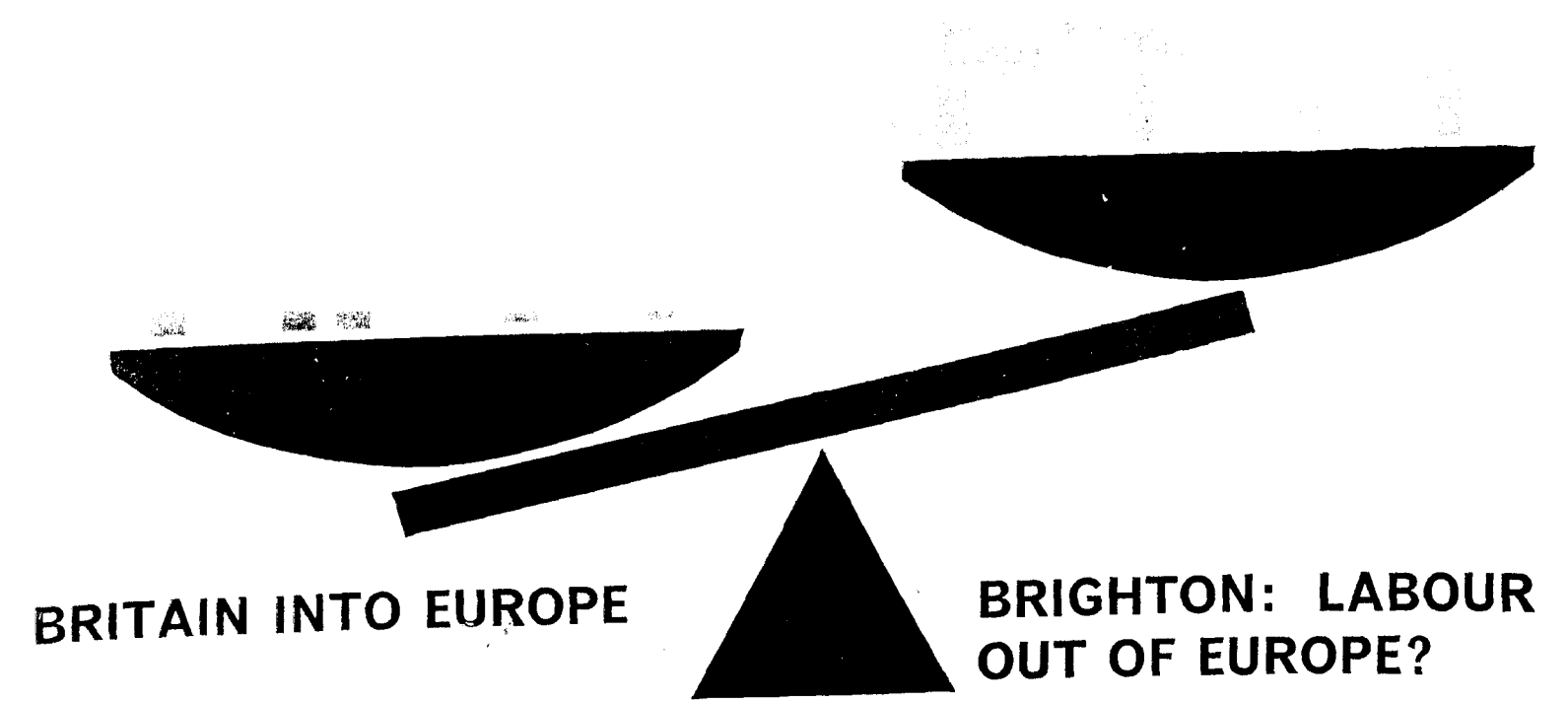
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BRIGHTON: LABOUR
OUT OF EUROPE?

OBSESSED BY CUBA

MIR MAUDLING'S GENTLE PUSH

Guide to contents : see over

The Economist this Week October 6, 1962

10/18
18

The junk that left the wind behind

Hong Kong is half land, half water. And of its three million people, many spend their whole lives afloat — these are the boat-people, whose wooden craft jostle in the crowded bays to make small floating villages.

In these villages the boat-people are born, marry and die—returning to the land only to be buried. Their livelihood is fish, and from their fishing expeditions come the Lizard Fish, Golden Thread, and Croakers, which feed the island's packed population. Their life has gone on in much the same way for generations—a hard life of work and little leisure.

Today, things are changing for the better. There is the newly-formed Fish Marketing Organisation which not only provides schools for the children, but auctions the catch for the boat-people, and gives them a cash payment immediately it is landed.

With this ready-money the men can improve their exotic-looking boats—often by powering them with small engines. 'With these engines', says one of the men, 'we are bringing in three times as much fish as before. We don't have to wait for the wind and tide to get us out of harbour, and by nightfall we can be out in the deeper waters'.

During all these changes, Shell has been along the quaysides, providing the boat-people with a fuel and lubricant service, just as it does to fishing fleets all over the world—whether they operate from busy ports or out-of-the-way islands.

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HOME

PRO PATRIA

Mr Gaitskill's contention that informed economic opinion is split half-and-half on British advantages in the common market is wide open to challenge: on points of less illusory importance than the thousand historic years, the practical and prospective balance seems strongly in favour of entry (p. 18).

It was plain, at the Brighton conference, that the Labour leader (the best his party has) had been overcome by an intellectual *hauteur* towards the common market issue; unless he wins the next election, this could have disastrous consequences for Labour (p. 32). Where some readers stand in the debate (p. 55).

AD ABSURDUM

The rail strike proved much of Dr Beeching's case for line closures, but it took the issue of redundancy payments no further; and it cost the union more than the Transport Commission (p. 23).

On the day, the threatened chaos of a stricken London did not materialise: and there are lessons in that for more normal times (p. 37).

Meanwhile, one of the best hopes for British Railways' health, freedom to discriminate, has been coolly received in Luxembourg (p. 71): and customers' direct action has persuaded the French government partly to postpone a minor railway reform (p. 71).

The tourist business in Britain seems to have a future less joyful than its past (p. 81).

INTER VIVOS

Mr Maudling breathed gently into the economy—too gently for some critics: but intellectually (and somewhat grudgingly) it is hard to fault his judgment (p. 65). On the same occasion an old-fashioned banker expressed his faith in the bracing effects of greater financial freedom in the City (p. 66).

A 20 per cent rise in next year's university building grants merely recognises the rise in building costs since last year, when the grants were already inadequate (p. 26).

The preserving fluid which fills some Britons' veins can stultify essential development (p. 37).

PER ARDUA

Some Conservative MPs have been thinking hard about industrial strife, and have produced detailed drawings for a mechanism to ensure peace: but the price of the end-product could be continued inflation (p. 21).

A proposed petroleum refinery in Spain has little economic justification: but inertia and pride may prevent its abandonment (p. 76).

POST MORTEM

A BBC interviewer asked an improper question of a Labour leader—and the party has responded with what could come to look dangerously like an attempt at political censorship of its public interrogators (p. 23).

Acute variations in the type and severity of sentence given in different areas for similar offences embarrass the institution of magistracy (p. 30).

The church's horror and abhorrence of suicides is somewhat modified in Britain (p. 26).

The National Gallery has had two eventful years—and come reasonably well out of them, in spite of the Goya theft (p. 30).

INTERNATIONAL

NEW WORLD BRAVES

The Americans are in a furious, and therefore dangerous, state of mind about Cuba. President Kennedy has to gather up his political courage and tell his countrymen that Cuba is not yet worth getting so seriously worked up about; it will become so only if it starts exporting its ideas by force (p. 15).

Meanwhile, *fidelsma* is spreading in Latin America—partly because Latin American governments have concluded from the temper of North America that Cuba is a North American problem to be solved, somehow, by the United States. They should instead be thinking about the massive social changes that are necessary in their own countries (p. 16).

In Brazil the sluggish and faction-ridden parliament has not proved a suitable instrument for guiding the country's volatile economy (p. 30).

IN THE HOME OF THE BRAVE

This week's trial of strength in Mississippi was a great victory for the United States and for President Kennedy (p. 58).

Congressmen are working far harder in their districts for re-election than they did in Washington for legislation (p. 62).

Americans are now taking orbital flights in their stride (p. 61).

Poland and Yugoslavia are likely to suffer from both the trade expansion and the foreign aid legislation in the United States (p. 61).

In New York the divisions among the Democrats leave them with so little hope of successes in November (p. 57) that not even the gesture of selling missiles to Israel can help much (p. 63).

The new tax legislation imposes many new burdens on businessmen (p. 62).

BRAVE NEW WORLDS

The Chinese communists are tarring the Russians with the brush of imperialism (p. 24).

Jugoslavia's relations with the Russians remain in a state of delicate balance (p. 26).

Sir Edgar Whitehead of Rhodesia has cut himself off from any chance of talking to genuinely representative Africans (p. 40).

Mr Butler must be brave in central Africa (p. 32).

OLD WORLD CHANGING

Europe: Some people in Paris and Bonn would like to see a tight little core at the heart of the widening European community (p. 26).

Germany: Who is to succeed Dr Adenauer? (p. 29).

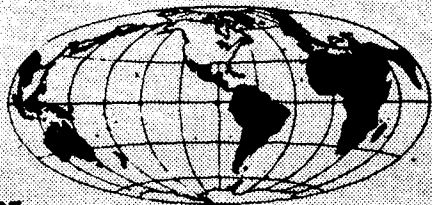
Berlin: Guessing Mr Khrushchev's next move (p. 29).

Vatican: The meeting of 2,600 Roman Catholic bishops in the 21st General Council of their church is designed to reform the church and make it more attractive to non-catholic Christians; it starts, for once, with the goodwill of the whole Christian world (p. 41).

Italy: By keeping his promise to nationalise the electric power industry, Signor Fanfani may have strengthened his centre-left government (p. 45).

Spain: The official trade unions were brushed aside in this year's industrial conflicts (p. 46).

Detailed contents on page 15



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INTERNATIONAL MEDIA GUIDE

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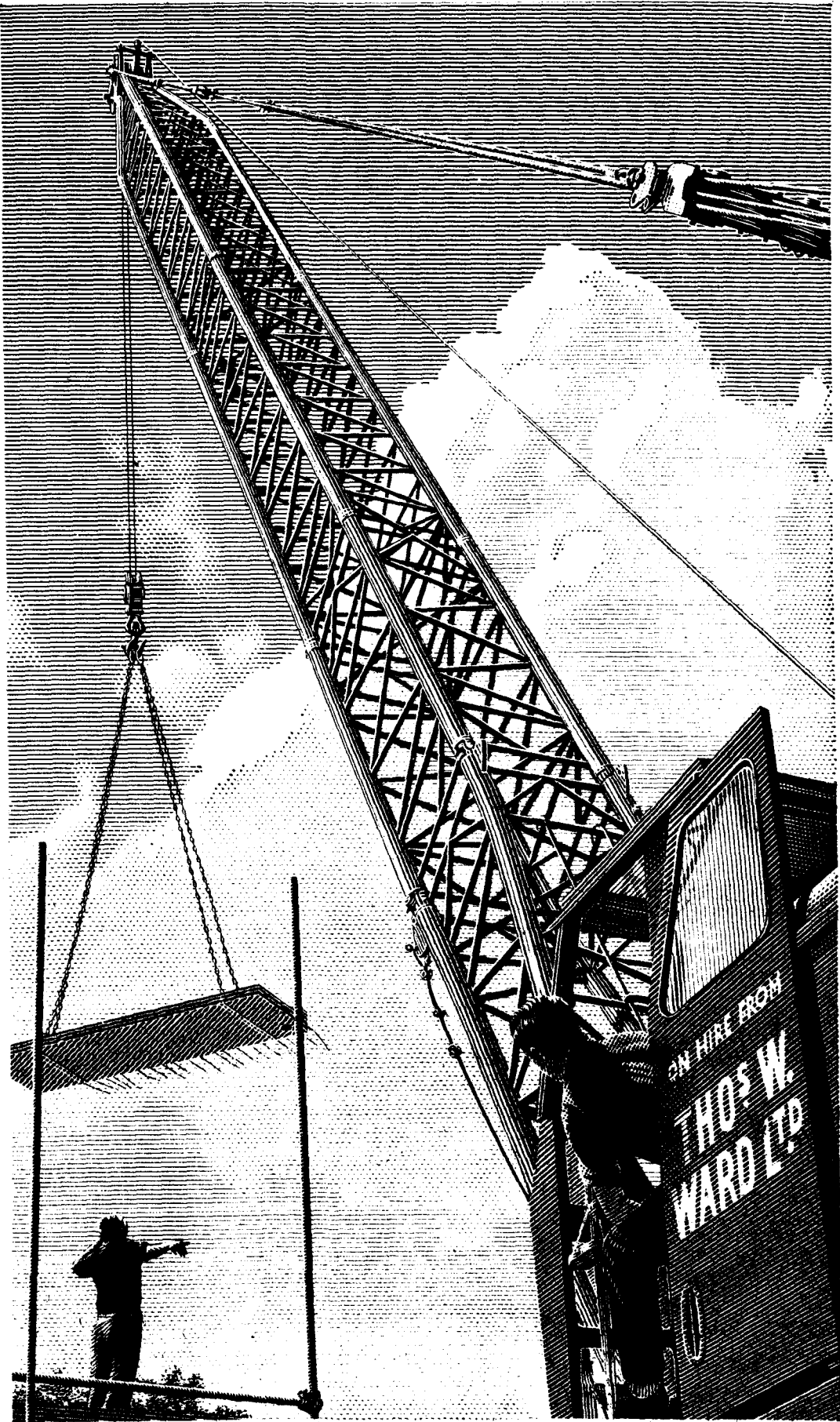
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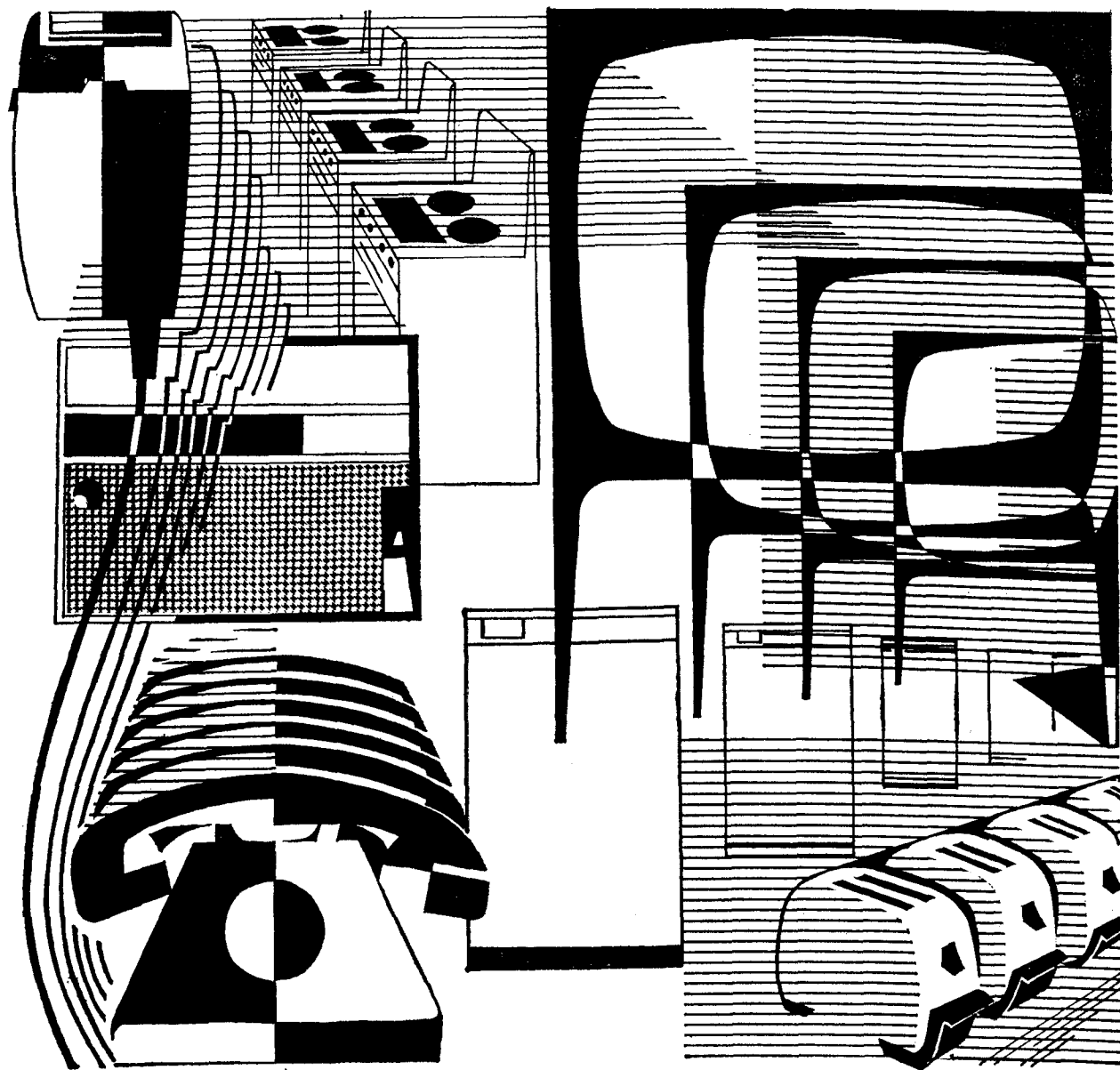


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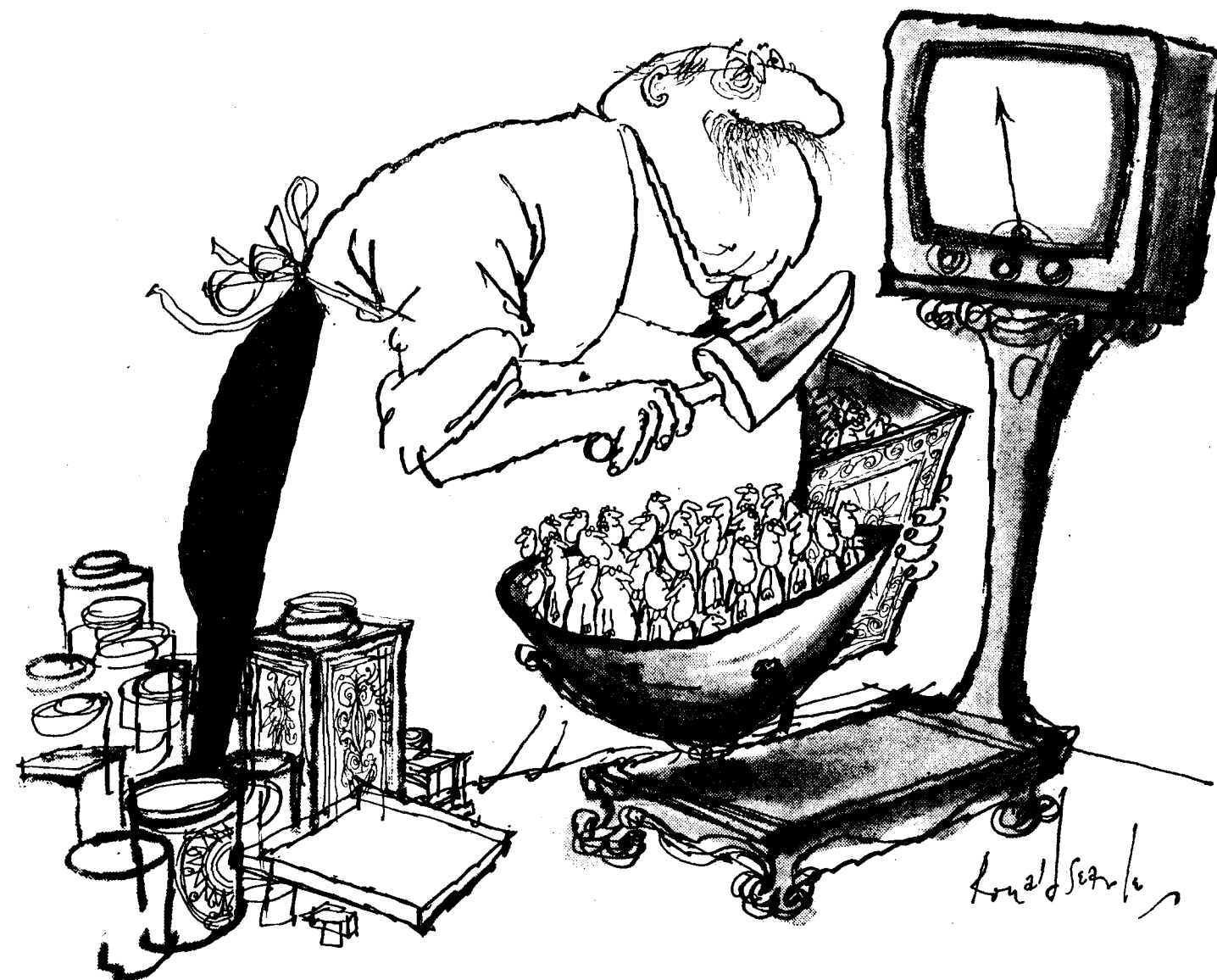
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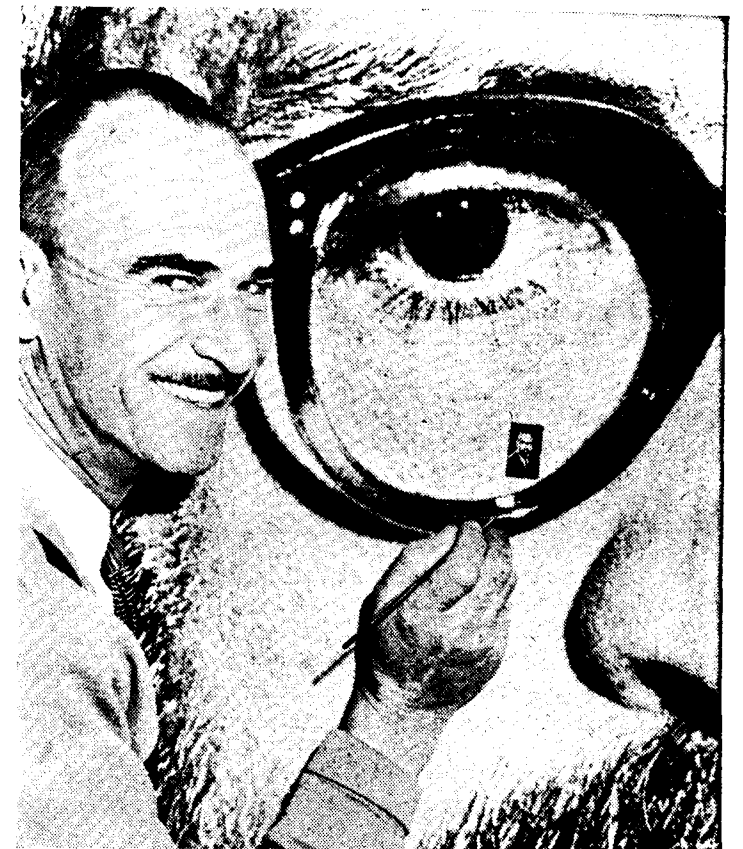
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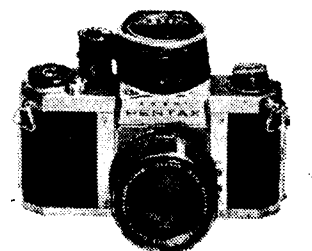
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Young Israelis on a Kibbutz, or co-operative settlement



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KIBBUTZ FAMILY Life is full in the Kibbutzim, the democratic collective farm villages of Israel that have brought prosperity to a once barren land. Heaters in family apartments are made in Israel from steel supplied by The Steel Company of Wales.



POLICE PATROL, TEL-AVIV An offending motorist is cautioned for speeding by officers of the Israel Police Force. Their Kaiser-Willys patrol car was built at Haifa partly with Welsh steel from The Steel Company of Wales 'City of Steel' at Port Talbot.



MODERN SHOPPING IN JERUSALEM This cool cabinet in the Supersol supermarket, Jerusalem, is an example of exports from The Steel Company of Wales. It is made by Amcor Ltd. from sheet steel, and the refrigeration unit contains the Company's electrical steel.

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12

21

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114

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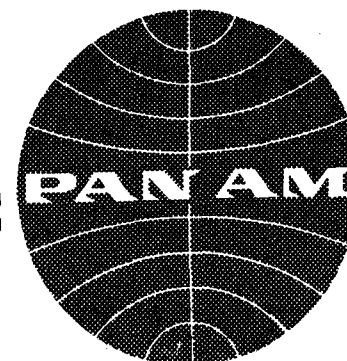
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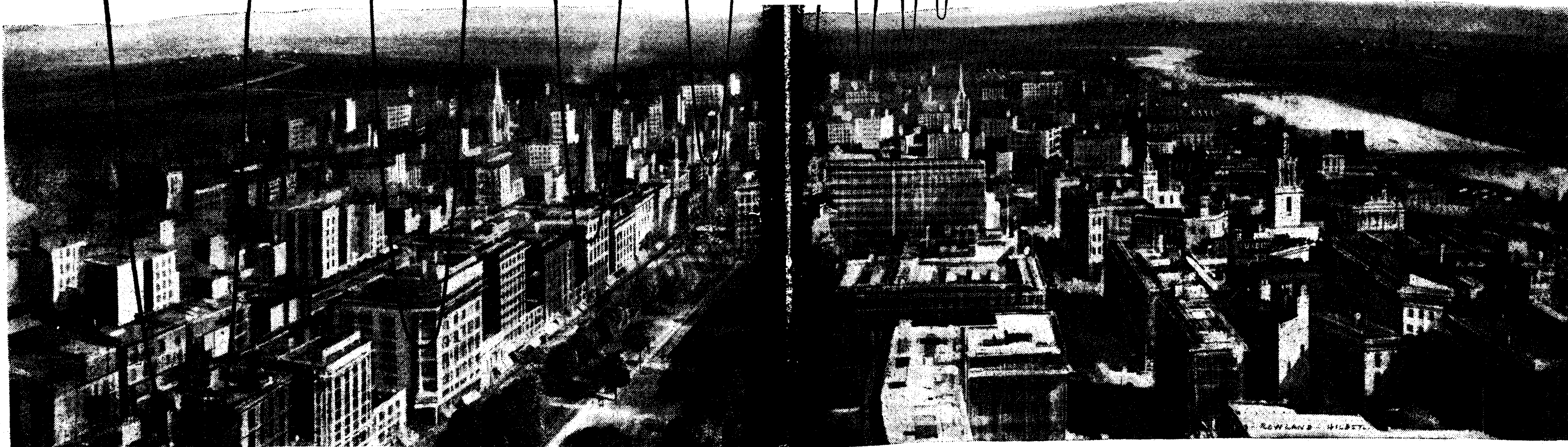
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Obsessed by Cuba

THERE are plenty of good reasons for being worried about Cuba, and it may seem odd to put the correspondence columns of *Time* magazine and the *New York Herald Tribune* at the top of the list. But in fact the most disturbing thing about recent developments in Cuba is the effect they have had on the American state of mind; these two papers in particular (though not only they) convey the furious impatience—and the reluctance to see Cuba in context—that seem to mark the current mood in the United States. The widespread demand for President Kennedy to “do something,” and damn the consequences, has reached a point where an outsider can fairly say what he thinks.

One result of the urge for action was seen on Wednesday. The United States, it is reported, will soon not only close its ports to foreign ships that carry arms to Cuba (which is fair enough), but will also refuse to load American cargoes into ships that have just taken anything at all to Cuba (which is not fair enough). Before the gust of national temper blows Mr Kennedy any further, let the reasons for feeling alarm about it be set down.

It is not simply that there are undertones of snapping nerves which make one wonder how American public opinion is going to stand up to the inevitably prolonged strain of an east-west contest that may go on, as Mr Kennedy has pointed out, for a generation or more—a timeless test, not a short, sharp, world series match. There is also the more immediate danger that the President may be pushed against his will into doing the wrong thing about Cuba. So far Mr Kennedy has handled the problem circumspectly; but no one who knows how sensitive Congress is to the popular mood, and how delicate the President's relations with Congress are, can be quite sure that this circumspection will stand the strain.

Just under a year ago *The Economist* set out its own reasons for worrying about the growth of extremist attitudes towards foreign policy in the United States, and for feeling that Mr Kennedy had not committed himself heart and soul to opposing them. The reply of Mr Kennedy's defenders at the time was, first, that these extremist ideas—a brusque contempt for negotiation and compromise, and a demand for clear-cut victories over the communists—were not as serious as they might seem to outsiders; and, secondly, that the President was in fact determined to educate public opinion in the plodding realities of the cold war.

The past year has partly borne out the second of these claims, if not the first. In pushing through the Laotian settlement, and in offering as many concessions for a nuclear test ban as could at all reasonably be expected of him, Mr Kennedy has reminded his countrymen that the necessary chief aim of foreign policy nowadays is to reduce the possibility of war, and that conventional notions of “winning” have become dangerously irrelevant. And yet the Cuban affair shows that a great many Americans still think in their hearts that he is wrong. Mr Kennedy will have to state his case a good deal more forcibly than he has done so far if he is to win the argument.

There are two respects in which the dominant American reaction to the last few weeks' events in Cuba can reasonably be criticised. (One will have to assume it is the dominant reaction, until and unless the calmer point of view finds more spokesmen than Mr Walter Lippmann and a handful of others to state its case.) The first is the reluctance to distinguish between what is happening



When Cubans look like Russians

people thought likely a couple of years ago (including this paper). But that has been past history for a good many months. The military aid Russia has been sending to Dr Castro since the middle of July brings no change in the situation inside Cuba itself—except in the roundabout sense that it makes it harder to change that situation by military force applied from outside. But one would have assumed that, since the Bay of Pigs, military force applied from outside was not (to put it mildly) the best bet for dealing with Cuba.

The real problem the western powers ought to be concentrating their attention on is how to prevent Cuba from being used as a base for spreading communist influence in other parts of Latin America. Mr Kennedy has grasped this clearly enough. He managed to limit the resolution Congress passed on September 26th to a demand for action if, and only if, the Cubans threaten violence to the rest of the hemisphere. But this is pretty plainly not what the majority of Congressmen, or the majority of people who write letters to them, really want; they want to shave Dr Castro with a blunt razor. There is some food for thought in the violence with which this wish is often expressed. The main point, however, is that Cuba, isolated, is no worse than an irritant to Americans (and then only if they are willing to let themselves get irritated). The island becomes a danger worth getting seriously worked up about only if it threatens to export its ideas by force.

THE second criticism of the way many Americans seem to be reacting is that they insist on regarding Cuba as an island entire of itself; that is, they have not grasped the connection between how they handle Cuba, and how the Russians handle other places elsewhere. The quick answer is that, if the Americans were by any chance to invade Cuba tomorrow, it would be no use asking for whom the bell tolled. It would almost certainly toll for the western access routes to Berlin, and for American servicemen in South Vietnamese outposts. But such is the mesmeric effect of the Monroe doctrine (or that part of the Monroe doctrine which it is fashionable to remember) that a unilateral declaration made 139 years ago is apparently thought sufficient to insulate what the United States does in the Americas from what can be done to the United States elsewhere. In the course of an article calling for armed intervention, *Time* magazine managed on September 21st to quote large parts of the Monroe doctrine without recalling that the doctrine, in addition to telling the Europeans to keep out of the western hemisphere, committed the Americans to keeping out of the eastern hemisphere. Senator Humphrey has acknowledged that things have

changed since 1823. Few other people have; even Mr Kennedy has been chary of suggesting that Monroe may no longer be quite holy writ.

No doubt all this comes dangerously close to pi-jaw; the Americans may understandably resent being told what to do (and what not to do) about events on their own doorstep. Certainly the allies of the United States ought to realise just how galling Cuba seems in Washington—even a quarantined Cuba—and make allowances. For instance, the allies ought to be willing to go some way to supervise the kind of freight their ships are carrying to and from Cuba. Anything approaching a total blockade would be wrong, it being no business of the western alliance to deprive Cubans of the necessities of life, or even a few comforts, because of their leaders' politics. But a refusal to carry arms to Cuba can fairly be asked for; and, together with arms, any equipment that might reasonably be supposed to serve purely Russian purposes—electronic devices for peering at Cape Canaveral, for instance.

Supposing this to have been done, however, one has just about exhausted the range of actions that can or should be taken against Cuba in present circumstances. It then rests upon President Kennedy to try to keep on restraining the demand for further measures. This will not be easy; far from it. One can imagine a whole series of further Russian actions calculated to provoke new outbursts of indignation in the United States, without actually breaking the rules of the cold war game. For example, the port the Russians intend to build could be used as a base for spy-trawlers operating just outside American territorial waters. This would no more justify an American invasion than the presence of U-2 planes in Britain in 1960 would have justified a Russian invasion of this country; but one wonders whether the bulk of Americans would stay cool enough to admit as much. Mr Kennedy, even if it involves him in some political risk, must try to persuade his countrymen to cultivate the art of the stiff upper lip.



Shrugging off Cubanism

South Americans tend to dismiss Castro, and Castroism, as the North Americans' headache

IF it should happen one day that Dr Castro slips and falls under a bus, it would be hard to find a Latin American who did not have a sneaking suspicion that the bus driver was in the pay of the Central Intelligence Agency, helped, maybe, by a banana skin provided by the United Fruit Company. The point where indirect pressure becomes direct intervention is always obscure; it becomes even blurrier when the situation is as complicated, and the antagonists as unevenly matched, as now with the United States and Cuba. This is one reason why many of the Latin American republics draw back into their shells when the United States tries, time and again, to involve them in at least the economic harassment of Cuba. While every Latin government would like to see Dr Castro off the scene, few of them want their own signatures revealed on a death warrant.

The trouble is that the Americans' effort to marshal their allies into a united and determined front against Cuba is having the contrary effect. The higher tempers rise in the United States, and the more steam is blown off towards Cuba, the more other countries, and the South American republics in particular, tend to wrap the whole blazing issue into a package conspicuously labelled "Explosive: Property of the United States Government." Several of the small Central American republics, together with Venezuela (which has a Caribbean coast line) and one or two others of the more vulnerable South American countries, are openly committed to an anti-Cuban line. There are even plans, still very tentative, for some sort of Caribbean defence organisation. But, in the face of North American passion, Mexico and the larger southern republics tend to keep their distance; their inclination is to shrug off the Cuban-American dispute as a private battle in which they are only remotely concerned.

At an informal meeting of the pan-American foreign ministers this week, the United States persisted in its patient effort to squeeze some overt encouragement from its unenthusiastic neighbours. The ministers, who met in Washington on Tuesday and Wednesday, acknowledged the danger of the partnership between Cuba and international communism, and agreed to strengthen their security measures against subversion and to do what they could to prevent their ships delivering strategic materials to Cuba. The last occasion of this kind was the more formal parade that took place at Punta del Este in January. Nothing that was agreed at either meeting gives the United States a blank cheque for action. At the canvassing that went on before this week's meeting, American diplomats are said to have tried appealing to the political nature of the Latin representatives by stressing the exigencies of the coming congressional election. While this would certainly have struck a responsive chord in many tremulous hearts, it also seals the cynicism with which most Latins approach the question of inter-American relations.

Even if the South Americans found themselves able to respond with greater heart to the urgency of the anti-Cuban mission, it is a bit difficult to see what good this would achieve. It is now clear that the Castro regime is not likely to wither on the branch for lack of western nourishment. Nor would the suspension of trade and communications prevent the passage of ideas from Cuba to the Latin republics. And the psychological comfort to the United States of getting the Latin Americans to join in a chorus of disapproval might in time be blotted out by the cloud of uncomfortable repercussions that hovers over the heads of the reluctant choristers.

ALL this communal deep breathing could have two major ill-effects. The first is political; the second, and in the long run more unfortunate, is that it breeds a brand of complacency. One political consequence for any Latin American leader who looks like coming down wholeheartedly on the side of the United States is that it makes it much harder for him to divide his opposition. In several of the republics a movement has been going on, strongly encouraged from the United States, to form left-of-centre coalitions with enough fire in them to draw support away from the communist and fidelist factions. The notable example is in Chile, where the popular front of socialists and communists got close to winning the 1958 elections and has buoyant hopes for the presidential

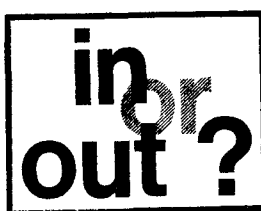
elections in 1964. The conservative front, under President Alessandri, has been feeling its way towards some sort of electoral arrangement with the powerful left-of-centre Christian Democrats. If this succeeded, the popular front could wave good-bye to all chance of the presidency. But if President Alessandri were openly to join the anti-Cuban band of hope, he would be cementing the left wing against his own democratic front.

It is worth noticing that members of Latin America's revolutionary left rejoice in the rising temper north of the Rio Grande. The cut-and-dried issue of whether or not to play ball with the United States suits them very well. Their position has been strengthened by the concrete evidence of the Soviet Union's readiness to come mightily to the aid of a country that breaks with the United States. The hypothetical quality of the Russian rumblings about military support for Cuba is less important for their purposes than the tangible quality of the material aid that is making its way to the defiant island. The announcement that Russia is going to help Cuba build a \$12 million port in the Bay of Havana has sent diplomatic commentators into a tizzy of speculation over the military implications. But for most Latin Americans a port is something they can understand and appreciate—on a par with a steel mill in India or a dam in Egypt.

WHILE the revolutionary Left celebrates the rising temperature of the Cuban crucible, many of the continent's political leaders are still inclined to look at the problem with a remarkable blandness. Naturally this is resented in the United States. Mutual irritation heaves beneath the surface of inter-American relations. But the true danger for Latin Americans is not their indifference to the "Cuban menace" but the much more insidious feeling that Cuba, and what it stands for, has become a nuisance that, in some way or another, the United States intends to deal with. By shrugging off the problem in this way, the Latin governments ignore the essential truth about *fidelismo*: that it is not confined to Cuba or to Cuban subversion but is a spreading movement with seeds planted in every Latin republic. It is only by each country's own massive endeavours that the growth and fruition of the movement can be controlled.

In full recognition of this, President Kennedy's advisers produced the Alliance for Progress a year ago. Its purpose was not to dam the revolutionary tide, but to direct and contain it. But the confusion of trying to reconcile the conflicting priorities of anti-Cubanism and the economic alliance has now rebounded on American heads. As it is, the mood is sour, and revolutionary leaders in Latin America no longer feel they have to fear the alliance as a workable alternative to their own more violent dreams.

Latin Americans, without hesitation, blame the United States for the fact that the alliance is no longer the attractive blaze of light it set out to be. Certainly, there have been errors of judgment on the American side. But the more fundamental fault is with the Latin governments themselves for refusing to take seriously the social changes that lie at the heart of the American plan. Distracted by their own problems of resurgent militarism and political scufflings, many of Latin America's leaders find it simpler to believe that Fidel Castro, both man and doctrine, is the private responsibility of their senior partner—certainly not theirs.



Much More than Fifty-Fifty

A detailed summary of the economic arguments for joining the European common market

THE argument about Britain's bid to enter the common market has now persisted—properly, for this is a historic decision—for at least four years. There are still many people who have genuinely not made up their minds about it, and who say that they have not seen the economic case for and against entry set down in any one place in any comprehensible summary form. This article will try, within the limits of a weekly journal's space, to fill that gap; it will deal purely with the economics of the debate, and leave the politics of it aside. This means leaving aside the real fear that a Britain outside what will almost inevitably become the United States-Europe Economic Community axis could soon become only a very junior partner in its influence on our own continent's (and the free world's) affairs.

It would be nonsense to pretend that this article will be either neutral or novel. *The Economist*, which has tried to reach its conclusions by reason based on facts, decided long ago that it was strongly in favour of entry. But an attempt will be made here to play fair by setting down and discussing all the main economic arguments usually used against entry as well as those for it.

Serious opponents of the British entry into the common market almost always assume that the first economic question to be considered is whether, on the balance of things as they are, Britain is likely to gain or lose exports by entering Europe; pro-marketeers say that, instead, the first question should be the likely effect of entry on the long-term industrial structure of Britain. Let us yield the choice of order in debate to the market's opponents. They usually open by pointing out, as Mr Gaitskell did on Wednesday, that about 43 per cent of Britain's exports last year went to the Commonwealth (but the proportion is going down), compared with only about 17 per cent to the European Six and about 13 per cent to the countries belonging to the European Free Trade Association (both proportions going up). Mr Gaitskell would be the first to admit that this does not mean that any further check (however small) on our exports to the larger Commonwealth market must necessarily outweigh any new impetus (however large) in our exports to the smaller European market. It is very difficult to gauge what further proportion of our exports to the Commonwealth would be supplanted if we lost our remaining imperial tariff preferences (which are already diminishing) in Commonwealth markets; at first sight, it seems a hard task for Mr Gaitskell to argue that the extra drop would be greater than the gain to be expected in our exports to Europe as a result of the very much bigger change—the removal of *all* tariff and other barriers against our goods—now being envisaged there. However, there is one respectable school of market analysts which has argued that it might be; it was predominantly, to the technical arguments which have raged around this one static point that Mr Gaitskell referred when he said at Brighton that the balance of economic argument for or against entry was “no

more than fifty-fifty.” (His already famous speech is appraised on page 32.)

It is, however, as pro-marketeers see it, the next stage of the argument which is the decisively important one. This is the question of the balance of future development. All the overseas Commonwealth countries (including the white dominions) are still developing countries, in the sense that they are building up new secondary industries which Britain already has. The result is that many of the goods which we sell to the Commonwealth today prove to be the goods that those countries will themselves be making tomorrow; a developing country nearly always industrialises first to economise on its import bill. That is why in recent years nearly every Commonwealth country has in fact been raising more barriers against imports on Britain's manufactured goods, sometimes by increased tariffs but often by the much tougher weapons of direct import restrictions or quotas as well. This has happened at a time when reliance on closing or shrinking markets of this sort has had a disastrous effect on the development of Britain's industrial structure.

WITH the rapid development of secondary industry in new countries all over the world, the maturer manufacturing countries like Britain have found it increasingly necessary to rely on making and exporting sophisticated goods, which (a) require heavy capital outlay; (b) need a background of general technological knowledge, and where (c) economies of scale are important. In the first two respects Britain is well equipped to keep ahead of most other Joneses. In availability of capital and in general technological know-how, Britain has long ranked (and still ranks) relatively high among the fortunate countries of the world. But for the first time our lack of scope for economies of scale has now begun to delay our march into the industries of the future. The reason for this is that the economic base required to support the really new and more sophisticated industries has been steadily growing.

As the Prime Minister and others tried to point out to the Commonwealth prime ministers last month, there now seems to be an almost inevitable economic law about this: the later an important industry develops, the bigger—generally—is the economic base and available market it requires. It is possible nowadays for a country to have a relatively small economic base and still have a cotton textile industry. It is possible to have a medium-sized economy and have a modest steel industry. It has proved rather more difficult for any country to have a modern motor car industry with a population of much less than 20 million or an annual national income (and thus total home demand) of much less than £15,000 million, though (with the growth of individual incomes and the maturing of production techniques) the minimum population required is nowadays probably going down. But the motor car itself is by now a development that is three-quarters of a

century old, and there is little doubt that the development of many sophisticated new industries today is prejudiced unless industrialists have a very large free market indeed to aim at. Unless risk-takers feel that they can rely on an assured free market of something well over 50 million people (i.e., a market that will not be closed to them just after their industry has been developed), they are unwilling to take the risks of ploughing in the heavy new capital and industrial research required. It is pretty clear that Britain has reached this stage now, and that we are suffering a double disadvantage from it; we are not only failing to develop the new industries as quickly as we ought to do, but we are also depriving ourselves of the new technologies which would strengthen our existing industries.

These are the points which, according to those who heard him, Mr Macmillan tried to drive home in almost precisely these terms to the Commonwealth prime ministers last month. He was speaking in a world where Britain's main industrial competitors are now the United States, with a population of over 180 million (which, however, has the disadvantage of being the front runner of all, with very high wage levels and having to do a lot of the basic research), and the European Economic Community with over 170 million (which has the advantage—as Britain could have, too—of initially lower cost levels than the US and of being able to adopt some of its technology); looming on the horizon is Japan with over 90 million (which has turned the business of adopting other front runners' technology into a fine art), and in the next twenty years Soviet Russia with a population of over 200 million (and no inhibitions about adopting large-scale technology) will very probably become a sizeable exporter of sophisticated manufacturing goods as well. If Britain does not dovetail itself into one or other of these markets, then it seems inevitable that we will have too narrow an industrial base for many of the newest technologies and newest industries to grow up here. And it is only by thrusting forward to the newest technologies that a mature economy can grow. Outside EEC, we would be left trying to rest our main export effort on selling rather older goods over tariff barriers to these mass markets and to the Commonwealth; moreover, as soon as the Commonwealth sets up its own industries making these slightly older goods (which mainly meant textiles yesterday, but which will include things like motor cars tomorrow), they put up protective import barriers against us.

Among economically-educated people who have paid attention to this subject, it simply is not true, as Mr Gaitskell averred, that there is a fifty-fifty split on whether we should join Europe or not; the division is very much more in Europe's favour. Nobody pretends that opinion is unanimous, but a clear majority exists. *The Economist* is one of the many who believe that, on this issue alone, the economic case for entry is now as near to being convincingly proven as any economic case ever can be.

The Import Side

SO much for exports and the all-important question of the future of Britain's industrial structure. The next questions concern the burdens that Britain might have to bear on its import bill, and the burdens that might be laid on other countries by the change in our importing patterns, after we have entered the market.



There is unfortunately no doubt that Britain is soon going to have to pay considerably more for its food imports, as a result of a change in world agricultural policies that (whatever happens at Brussels) is quite clearly looming on the horizon.

All over the world, including even in some of the efficient Commonwealth countries, governments have hitherto been supporting their farmers by keeping their internal food prices high and selling their food more cheaply abroad to whomever will accept unregulated imports of it. Increasingly, the only country that has been willing to accept these cheap imports has been Britain. Overseas governments have now become fed up with this system, and it is quite obvious that they are soon going to join together in world food cartels (called world commodity agreements) designed to force Britain to pay approximately as much for their produce as their own domestic consumers have to do. After this rise in import prices Britain will no doubt import less, and buy more of its food from its own farmers, with the result that uneconomic world food surpluses will grow. But the idea is that these surpluses may then be given away free, or on generous special terms, to the hungry countries of the world.

This prospective rise in import prices is not something that Britain can altogether welcome, whatever its moral implications in aiding the hungry countries. It might eventually add as much as £300 million a year on to our balance of payments, as well as increasing our cost of living (especially for things like meat) quite considerably. So long as it looked as if only Europe might operate a cartel of this sort, and that we might be able to go on importing cheap food from the Commonwealth indefinitely, it provided some part of a case for keeping outside Europe (though not, when weighed against the crucial problems of industrial structure discussed above, a preponderant case). Now, however, since a world commodity agreement in wheat, at any rate, seems likely to come anyway, then (whatever one's doubts about the economic fruitfulness of such agreements) the “cheap food argument” for keeping out of Europe has been shot through with holes; since we cannot beat the trend towards world food cartels, it is better in our own interests, for us to join it and try to influence it in the most respectable direction. The argument in the past year has been whether by joining the European cartel we will be unfairly harming, not ourselves, but agricultural interests in the Commonwealth.

There is no doubt that temperate food producers in the Commonwealth would have preferred us to stay outside, and to continue for a time to import freely from them; certainly Mr Heath has a duty to bargain hard at Brussels to try to limit their losses. But, in the first place, a Britain-inside-Europe should be better able to influence the terms of eventual world commodity agreements to be more in their favour than they otherwise would have been. Secondly, it is clear that some parts of agriculture in the Commonwealth are bound to be a declining industry (like textiles in Britain), and it is not always wise to disguise that fact. Thirdly, it is asking too much of Britain that it should stay out of Europe mainly in order to protect the full interests of a relatively small number of the Commonwealth's richer dairy or fruit farmers (perhaps as many people, in all, as could fit into one medium-sized town)—especially as, with the advance of world commodity agree-

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ments, many of the advantages for us of the former free importing system seem about to wither. And fourthly, internal agricultural politics being what they are, it is quite clear that Britain would not have continued for long with free imports of food from the Commonwealth even if we had stayed outside Europe.

The turning point in this last issue came last year. Ever since the early 1950s, Britain's agricultural policy has been to support its farmers by subsidies fixed in such a way (as concerns amount) as to keep an approximately stable number of existing British farmers reasonably happy, and (as concerns division between different commodities) to see that British farmers produced quantities of the different foodstuffs which did not send the home market into impossible glut even while free entry of Commonwealth food was permitted. Sometimes the home market did relapse into glut of milk, or eggs, or pigmeat, or other commodities which were unduly heavily subsidised because they were "important to small farmers." But it was always assumed that if the subsidies were sensibly directed, which everybody said meant towards encouraging beef and mutton, these gluts could be avoided.

Last year it was proved that they could not; gluts appeared even in beef and mutton, and the Exchequer had to pay out £70 million more a year in deficiency payments than it had bargained for. This was the Rubicon; it meant that the million or so farmers and farmworkers of Britain were now sufficiently efficient to produce a glut in anything so long as the off-farm prices proffered to them remained at anything like their present level. The alternatives were then that Britain would either have (a) to repeal the Agricultural Acts and deliberately try to drive a large number of farmers out of business; or (b) tolerate gluts in some major commodity or commodities every year (except years of particularly bad weather), with the result that Exchequer deficiency payments would soar in a way that would make nonsense of every Chancellor's budget estimates; or (c) the gluts would have to be cut down by blocking entry of some Commonwealth foodstuffs at the ports. There is not the slightest doubt that Britain would resort to method (c) eventually; even if we do not go into Europe, as Mr Macmillan told the Commonwealth prime ministers last month, the free entry of Commonwealth food into Britain is doomed. Many of the Commonwealth experts who came to London last month recognised this; it was their political leaders, who, for political reasons, tried not to recognise it.

The New Commonwealth

SOME of the same considerations apply to the even more important question of exports of manufactured goods from the new Asian and African Commonwealth—but here, frankly, with much more force. There is overwhelming reason to suppose that the terms offered to Britain in Brussels would provide these countries with more scope for the growth of their manufactured exports than they will get if Britain stays outside Europe. This question is sometimes obscured by those who say that "if Britain goes into the common market it will have to impose tariffs for the first time on Indian and Pakistan textiles, and anybody who is prepared to do that does not care for the new Commonwealth." The first answer to

that is that it is not tariffs which keep out goods like textiles from the cheaper labour countries; it is quotas that do that—and quotas, voluntary or otherwise, are what Britain has already begun to apply. The only way Britain can shake itself free from this tendency to protect its textile and other less sophisticated industries is by moving over its industrial structure to rely much more heavily on the new and more complicated industries; and getting into the common market is a prerequisite for doing that. Moreover the goods for which we should be preparing to make room are not merely the textiles which the Indias and Pakistans can manufacture already; it is the goods slightly more complicated than textiles, which they will be able to manufacture tomorrow, towards which we are likely to be absurdly protectionist unless we expand our industrial base by getting into Europe.

It may be said that, even if Britain has good intentions of trying to be liberal towards imports from the Asian countries, other countries in Europe have no such tradition, and that the pace of advance towards freer trade in the European Economic Community will tend to depend on the pace of the slowest partner. To this there are three answers. One is that while Britain itself is likely to have reason to want to be more restrictionist if we stay out of Europe than if we get into it, the other European countries will also be less restrictionist with us in (plugging pro-Commonwealth arguments) than with us out; the underdeveloped countries will lose under both heads if we stay outside.

The second answer is that, while the pace of advance into freer trading policies may tend to depend on the pace of the most obdurate member, so will the pace of any retreat back into more protectionism; and what India and Pakistan really have to fear is not an initially high level of tariffs—although Britain should certainly strive to see that they are as low as possible—but a rise in those tariffs and other more potent restrictions against any goods that they start to produce and sell in Europe really successfully. Inside the common market Britain would be in a good position to oppose any "cat and mouse" tariff rises of this sort; without us in, they would almost certainly occur as soon as new exports from Asia reached what any producer in Europe regarded as a "dangerous level."

The third point, which many people have missed, arises from the offer of association to African members of the Commonwealth. This was an extraordinarily generous offer, proffering them inalienable rights of free entry for their goods without any political ties. Some of the countries which had been offered association, such as Ghana and Nigeria, will soon become part-manufacturing countries of a sort, reaching the same stage of development as India and Pakistan have reached now. Some people have suggested that this would provide an additional incentive for the countries of Europe to keep out similar goods from non-associated countries in Asia and South America. In reality the precise opposite would surely be true. If their home markets were already being flooded anyway by textiles from Dr Nkrumah (whom Europe is unlikely to come to love), European textile manufacturers would soon become a declining industrial and political force; in that event the common market would soon come to feel that there was no point in keeping out textiles from the Indias either.

That is why it is such a tragedy, especially for countries such as India, that the African Commonwealth countries have refused association; and why it has been such an error of

statesmanship that India has in some ways encouraged them to do so (an error for which one particular Indian official bears a heavy burden of responsibility towards his own people). If the only associated African states are the former wards (and still close allies) of France, there is a danger that they may become a protected block with a preferential place in the European market, instead of being the thin end of a wedge that could open Europe to the manufactured goods of the developing world. Certainly, therefore, Mr Heath should fight strongly in the next few weeks to secure rights of free trade with Europe for African Commonwealth countries who have so foolishly rejected the supposed political "slur" of association; this, in our view, is the most important part of the Brussels negotiation that still lies before him.

Independence of Action

ONCE inside Europe, Britain should not support any proposals for moving swiftly towards a common budgetary policy, or a common investment policy, or even a common exchange rate policy. One can envisage circumstances in which it would be right for Britain to favour a greater reflation of domestic demand than some possible shades of governments in, say, Western Germany might want to set afoot in their own country. One can even envisage hypothetical circumstances in which, if British costs proved too high in free competition with Europe, it might be right for a Britain, even within EEC, to devalue the pound. Northern Ireland would have gained in recent years if it could have devalued its currency *vis-à-vis* Britain's; we do not want our bonds with Europe to be as restrictive of our independence in this matter as are Northern Ireland's bonds with us. But under the Treaty of Rome

An Industrial Peace Board?

BY A POLITICAL CORRESPONDENT

It is always difficult to gauge what effect Conservative backbenchers' ideas have upon Government thinking. In recent weeks there have been reports of some backbenchers' proposals for reforms in the handling of industrial relations; possibly more may be heard of them next Wednesday at the party conference at Llandudno. In the article below, a political correspondent discusses the present shape of these proposals. Then The Economist sets out its own comments on them.

WHEN the House of Commons takes up its work for the new session, a group of Conservative backbenchers will resume their search for a new arbitration, conciliation and collective bargaining machinery. Some of the suggestions now being mooted on the back benches could be enacted in isolation. For example, as a first step, it has been urged that the Government should offer to put the labour exchanges or the post offices at the disposal of any union that wanted to hold a secret ballot for any electoral or other purpose; union members could attend there on the days or nights appointed, and leave their ballot papers in sealed boxes or night safes to be scrutinised and counted. But the most sweeping proposal which some backbenchers are suggesting is that

bonds as tight as this would not in fact be forged; they could come into being only if the ties laid down in the Treaty were extended, and any such extension would have to be approved by Britain and all other members affected in a unanimous vote.

Indeed, in blunt fact, there is more danger of Britain becoming Europe's equivalent of Northern Ireland, an off-shore territory with declining industries and heavy unemployment, if we stay outside EEC than if we go in. For we would then be not merely like Ulster is to us now, but like Ulster would be to us if there were an English tariff barrier against Ulster's goods.

These, then in bold summary, are the main economic *pros* and the scattered economic *cons* in the great debate. If Britain enters the European Economic Community, there will be some British industries that will suffer by free competition from Europe, as well as others that will gain by free competition in it. But the industries that will suffer will be those that are already uncompetitive and thus bound to decline in any event; the industries that will gain will be the potential growth industries which, otherwise, are going to be held back from full growth because of the narrowness of Britain's industrial base. The target now, as Cassius said in a different context, "is Rome indeed and room enough." For those who have political or emotional aversions to this union, there can be understanding if not agreement. But those who say that the economic arguments for going in are "no more than fifty-fifty" seem very often to be those who have not made the necessary intellectual effort to think through the real economic problems, past the stage of static analysis to that of dynamic evolution.

conciliation, arbitration and the minimum wages councils should be taken "out of day-to-day politics" (and away from the Minister of Labour) and put in the hands of a new Industrial Peace Board.

Under the most detailed of these backbench proposals the members of the board would include the Lord Chancellor, the Chancellor of the Exchequer, the Minister of Labour, the chairman of the General Council of the Trades Union Congress, the president of the British Employers' Confederation and the directors-general of Neddly (the national economic development council) and Nicky (the national incomes commission). The chief secretary to the Treasury (at present Mr Boyd-Carpenter) would act as convenor to the

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board when it was required to meet in full session.

The chief secretary, it is envisaged, would also be the chief executive of the board, and would report about its activities to Parliament as and when required. He would also be able to initiate (through the Solicitor-General who would be acting as his parliamentary secretary) prosecutions in the courts for breaches of wages council orders or of a registered collective bargaining agreement; this, be it noted, would not change the present law of breach of contract, but it would mean that breaches would be taken to court by the Solicitor-General, instead of simply by the employer or union member. Finally—and this is an important part of the plan—the chief secretary would have the right, in certain specified industries, to suspend a lockout or a strike for a cooling-off period of, say, two or three weeks while attempts were made to get the dispute settled by the parties round the table.

This last proposal is one borrowed from the United States—where the cooling-off period, by presidential order, can be as long as 80 days; it was also a proposal that was given a try-out here by Mr Ernest Bevin when he was Minister of Labour in Mr Churchill's wartime government (Mr Bevin favoured a cooling-off period of 21 days between the threat of a strike and its actual start). During the cooling-off period, the Conservative backbenchers argue, the parties might agree to put their case to a board of inquiry sitting in public; or to appoint a joint working party, under an independent chairman, to draw up a schedule of claims and concessions already agreed and to analyse the differences between them; or they might accept the services of the chief conciliation officer to the board.

The chief conciliation officer would be appointed for a term of years, and he would be responsible for conciliation procedure. If he thought that a stoppage was likely he could offer conciliation on his own initiative or through his deputies in Scotland and Wales. At the request of the parties he could refer the dispute to a panel of 3 or 5 independent persons—in which event there could be no stoppage of work until attempts at conciliation had failed, and even then only after an agreed period of notice in writing. The chief conciliation officer would also have under his charge the office of the wages councils; he would collect nominations from employers and unions for appointments to the various panels of conciliators and wage councils; and he would be responsible for the conduct of trade union ballots and the announcement of the results. He would report regularly (say, in the *Ministry of Labour Gazette*) on any action he had taken in a particular dispute; and would advise upon and publish model codes of procedure for collective bargaining and conciliation.

The industrial court would be a branch of the labour relations board: and the Lord Chancellor, as a member of the board, would appoint the president of the industrial court, who would have much wider powers than under the existing legislation passed in 1959. He would take over many of the duties which now so often embarrass the Minister of Labour. For instance, it would fall to him, in his independent judicial capacity, to appoint the members and determine the terms of reference of public boards of inquiry; and to review wage council decisions and to make wage orders arising from them. At the request of the parties, he would have authority to interpret (but not to vary) any terms in a collective contract: there would then be no appeal against his findings, except to

the High Court on points of law. He would have power to send for papers and persons and to appoint spokesmen (as in a dock brief) for parties who could not afford to pay counsel. He would report to Parliament any unusual provisions in collective agreements brought to his notice by the registrar.

The Registrar of Friendly Societies (the third of the principal officers of the board of industrial and labour relations) would also be given many additional duties. He would have authority (on the request of a substantial number of paid-up members) to inquire into the affairs of the conduct of a trade union or employers' association and to publish his findings. He would keep a record of paid-up membership, not only of unions but also of associations of workers, foremen and shop stewards that are not necessarily qualified to be registered as trade unions. He would keep a register of collective agreements filed by one of the parties: of wages council decisions, and of agreements of national scope which might by law require to be filed. He would issue copies (for a fee) and allow inspection (on a search fee) of rules, accounts and reports of a union or association submitted according to law. In particular, he would make available not only the decisions of the industrial court or of an arbitrator, but also the demands and offers of the parties on which a decision was based.

Our Comment

THE ECONOMIST is happy to publish this report of what some Conservatives are thinking: among other advantages, it might have the merit of provoking trade unionists who (as their reaction to the national incomes commission has shown) could conceivably thus be egged into producing their own ideas about a wages policy. But, in our view, both sides are in danger of directing their thinking down some totally wrong alleys. The trade unions are getting it wrong because they think that proposals such as this would diminish their power to keep wage inflation rattling along; one of our complaints against these proposals is precisely that they wouldn't. The Conservative backbenchers seem to us to be getting their emphasis wrong because they tend to exaggerate (and misinterpret) the advantages of present American labour legislation, and of some new ideas along the same lines that are being considered by the American administration.

Fundamentally, those who favour proposals of this sort seem to us to make the mistake of believing that what is wrong with British industrial relations is too many official strikes. In fact the main thing that is wrong is the habit of employers and arbitrators, when faced with the threat of such a strike, of reaching an inflationary settlement. It is difficult to see why the extension of the system of tripartite conciliation suggested above—with panels of possible members of boards nominated by trade unions and employers' organisations—would diminish this misfortune; it might increase it.

There is, admittedly, a second and separate thing that is wrong with British labour legislation today: there are insufficient public safeguards against occasional sharp practice or anti-libertarian acts by trade union officials, some of which can be malpractices by those officials against union members themselves. In recent years all political parties have tended to shy away from reforms on this second front, on the false view that legislation which might annoy trade union officials would

automatically antagonise the mass of trade union members, too; the Liberals, who had previously had a better record than most on this matter, were the latest to start shying quite violently away from the nub of the subject at Llandudno two weeks ago; and it is very welcome that these Tory backbench proposals proffer some ideas which, if they ever were enacted, could reverse the trend.

But we would regard it as a mistake to tie in brave sugges-

tions to this end with an extension of the old inflationary arbitration system—on broadly the old separate-industry-by-separate-industry lines—even if nominally under new management. Industrial peace, we repeat, is not the same thing as economic wisdom: to establish an industrial peace board, under whatever name and with intentions however benevolent, would merely perpetuate the dangerous popular fallacy that it is.

NOTES OF THE WEEK

RAIL STRIKE

Proving the Negative

WEDNESDAY'S one-day rail strike proved no more than that shutting down the 10 per cent of lines which carry a substantial daily traffic causes a real (but overcomable inconvenience; and that on the remaining 90 per cent nobody cares. Mr Marples is very happy because road traffic in central London ran unnaturally smoothly all day. The National Union of Railwaymen claims success because central London had to stagger its hours, house more people actually in town (in hotel, or camp beds), employ a minimum of rush-hour traffic sense—and, since anything up to half the staffs stayed away, stop overloading itself with inessential office operations. But the real lesson of the strike was driven home in each provincial city and industrial town where everyone got to work without the railways; and there the inevitable, if unacknowledged, victors were Dr Beeching and his traffic analysts. The strike cost the union some £150,000 in strike pay, and the Transport Commission nothing (because its loss of passenger revenue was almost exactly balanced by savings on wages and on fuel). But the balanced heads on the NUR executive did not carry out this strike in a militant way. They made their demonstration of fears and discontents, but they gave lengthy warning and they did not try to stop alternative services from carrying mails or distributing newspapers. As a result, they might now have been in a strong position to talk sense into their diehards on the inevitability of railway reorganisation, and the uselessness of strikes to stop it.

It is in the light of these tactics by the NUR's leadership that Mr Marples's intervention on the telly on Monday night needs to be assessed. Mr Marples was fully entitled to take up the union rumblings that the strike was really caused by a failure to consult over the workshops closures. By this the militants mean that Dr Beeching did not tear up his plans when asked to, and the moderates (very much in private) that Dr Beeching did not initially overcut in existing unemployment areas like Scotland and thus have leeway to make local

surrenders to union pressure there. Tuesday's meeting at least called this kind of bluff. Mr Greene himself was partly to blame here. What he failed to bring out was the unions' perfectly valid claim for further negotiation on redundancy payments, the retraining of displaced men and the maximum possible retention of older men who have little or no chance of other comparable work. These are matters that the British Transport Commission and the unions should be talking about all the time—but they are positively not matters that can be discussed rationally on the nervous eve of a strike.

The BTC's existing terms may not be ungenerous in comparison with those often offered to the 250,000 men who are displaced in private industry every year: the legitimate use of the weapon that Mr Greene possesses, in having so coherent a community as the railwaymen behind him, is to push the Government into making much more purposeful efforts in this neglected sphere both for the nationalised undertakings and industry at large. The result of the unions' abortive meeting with Dr Beeching on Tuesday was merely to send the NUR's blood pressure up still higher, and make it rather more likely that the executive will lose control again and let itself be pushed into lightning strikes and all the rest in the impossible cause of keeping the railways mouldering on as they are.

Accentuating the Positive

As it happened Mr Marples did not need a gimmick at all on Monday night. His public argument had been presented to him by Dr Beeching's own forecast (the first time that he has gone so near to committing himself) that the railways could be made to pay. What the railwaymen need to have spelled out as soon as possible are the positive steps the BTC means to take to do this, not merely the negative ones of closing down the hopeless lines. What Mr Marples needs to do (or the Prime Minister for him) is to indicate that his transport

policy really is bound up with planning the future infrastructure of the country as a whole. This has a direct bearing on the freight services that the railways will need to expand as a result of a union with Europe. It bears on the decanting of populations out of the large conurbations: if East Anglia, say, is to take an extra two million people in the next two decades its lines may need more capital investment, not shutting down. It bears, too, on whether or not the Government believes an attempted Los Angelisation will help or hinder London's traffic, or Birmingham's or Glasgow's. Commuting services which, on the face of it, do not pay their way in the BTC's books can look very different in terms of the internal efficiency of the cities themselves. The debate needs to be taken much more broadly than it has been by the chief protagonists up to now. And for this the Government must bear its share of the blame: the beginnings of cabinet discussion and co-ordination on these issues are visible at last, but they are miserably belated.

POLITICAL TELEVISION

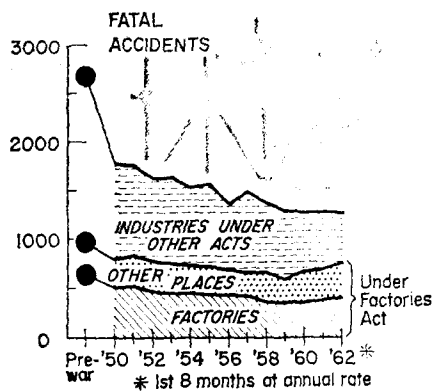
The Right to Question

A DANGEROUS precedent may be being set for politics on television by the Labour party's objections to Mr Kenneth Harris's brusque questioning of Mr George Brown, in the BBC's report from Labour's Brighton conference last Tuesday. Mr Harris admittedly deserved a sharp riposte when he publicly asked Mr Brown whether he had recently been saying different things from Mr Gaitskell in off-the-record conversations with other journalists. Mr Brown, who is no shrinking violet, rightly flung back a rebuke for this breach of journalistic etiquette in no uncertain terms; there was then a mighty set-to, which Mr Brown deservedly won on points; and no obvious harm was done to Labour.

Unfortunately, Labour's prima-donnaish assumption that it always looks clumsy on television then took over; this neurosis had been heightened by Mr Greene's belief that he had lost by the "rail peace bid" telecast with Mr Marples on Monday (though probably, in fact, Mr Marples lost much more).

INDUSTRIAL SAFETY

The total number of fatal accidents occurring to employees in British industry shows, disappointingly, no consistent downward trend. The Factories Act covers, as well as all factories, other places such as docks, warehouses, works of engineering construction and building operations: this last category accounts for about one-third of the deaths occurring in places covered by the Act. Accidents in industries covered by other acts have fallen considerably mainly because of the decline in disasters in mines and, to a lesser extent, on the railways and in ships.



A Labour party official stomped up to the BBC producer threatening reprisals, and Mr Gaitskell refused to appear on BBC television on Wednesday night if he was to be questioned by Mr Harris. No doubt Mr Gaitskell sincerely believed that this was a reprisal for the BBC's "unfairness" to Mr Brown (to whom paradoxically, see page 32, he was at that moment preparing to be more than a little unfair himself); but the result was that, at a critical moment in political history, Mr Gaitskell declined from the sharp and detailed questioning which his speech on Wednesday emphatically deserved. Mr Gaitskell did appear on the Independent Television News programme that night, but—however sincerely ITN may deny this—commercial television interviews are less hectoring affairs (and at one stage even during this interview Mr Gaitskell, it was interesting to note, boggled pretty badly).

Obviously, the BBC should in these circumstances have indicated on Wednesday that Mr Gaitskell had run away from Mr Harris; and Mr Harris should have broadcast the questions he would have asked to the open air. Instead the matter was covered over, and the BBC merely produced a discussion on the state of the Labour party by three journalists (two of whom were known to be favourable to Mr Gaitskell, while the other had supported him in his newspaper the Sunday before but had turned violently against him only after hearing Wednesday's speech). Meanwhile high-level complaints are flying about that Mr Harris (or any other interviewer?) must not be allowed to be so rude to Labour politi-

NOTES OF THE WEEK

cians in future. Whatever its original source in justified indignation, this is now in danger of becoming a *de facto* attempt at political censorship. It is the BBC's duty not to yield before it by one inch.

THE COMMUNIST WORLD

The Rudest Name

MR MAO TSE-TUNG and party were hardly in festive mood on Monday—the 13th anniversary of the communist government in Peking. For all its economic problems, and despite signs of a thaw last spring, Peking is again adamant in its dispute with Moscow. Indeed, the line of argument currently being used by the Chinese suggests that the quarrel may have been given an interesting new twist. It has long been plain that Peking's attacks on "revisionists" in Yugoslavia and elsewhere were really directed against Mr Khrushchev; it now seems that he is being tarred with the "imperialist" brush as well.

China's prime minister, Mr Chou En-lai, said on September 30th that "the imperialist reactionaries of various countries and modern revisionists" have collaborated with each other in an attempt to isolate China, and make it change its "just stand" in international affairs. This new theme has been elaborated in recent weeks by Marshal

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Chen Yi, the foreign minister. On September 8th the marshal said that "imperialists... use economic aid as a disguise to realise their true aim of political control." The suspicion that he meant a dig at Russia gains strength from the news that the Russian consulates in Shanghai and Harbin are being closed; the Chinese, one guesses, may have found the Russians' definition of consular activity a shade too broad. There is also an apparent difference of opinion over the Council for Mutual Economic Aid, to which the Mongolians now belong—but not the Chinese, who apparently do not want to.

It is not an improvement in their economic situation that makes the Chinese intransigent. The meeting of the party's central committee last week—more than a year overdue—conceded that the transition from capitalism to communism, once meant to take only a couple of decades, "will last scores of years or even longer." The central committee appointed three new members to its secretariat, the body of seven or eight people responsible for converting the leadership's policy decisions into detailed instructions for the local cadres. The new trio are General Lo Jui-ching, head of the general staff and a former security chief; Mr Lu Ting-yi, already a member of the central committee and head of its propaganda department; and Mr Kang Sheng, an old-style theoretician. They hardly sound like a new wind capable of sweeping through the muddle in China's planning.

The Economist

OCTOBER 4, 1862

PEACE AND FREEDOM

Garibaldi, in his prophetic character, has written us a political epistle with which it is impossible not to feel embarrassed. It is flattering, almost too flattering, for it assumes us to be so much more like the ideal of that great dreamer's political fancy than we either are, or should perhaps quite like to be, and it urges on us a course of action in which we should so completely lose all sense of personal identity, that of course we become both awkward and bashful. . . . Thus, we fully comprehend and are genuinely glad when we receive his kindly and flowery congratulations on our right of asylum. . . . We can feel the compliment, and heartily believe in its sincerity, when the General tells us that England alone has given him heart to believe in the constant law of human progress. But the embarrassing part of the letter begins with its exhortation. We are to call a great number of other nations into the path of freedom—France repeatedly, till she answers to the call, and will walk hand in hand with us—"Helvetia, the vestal virgin who feeds among the Alps the sacred fire of human freedom"—the great American Republic who is now warring against the "traders in human flesh"—and sit down with them all in a World-Congress of nations, to assemble for the first time, not

in Utopia, but in London—which shall do justice over the broad earth, and render it possible to beat the iron platings of our war steamers into the ploughshares and reaping-hooks of peace and plenty. The great era of the Human Compact which Locke imagined in the past, Garibaldi imagines in the immediate future with even greater audacity of surmise, and calls upon Britannia to bless even the present generation with the beauty of so great a gift. It should be, we gather, a kind of International Peace and Freedom Association, inaugurating its reign in London, and afterwards to be chosen by "mutual understanding and for mutual convenience," to determine the bounds of nations, and smite the necks of tyrants. . . . We dare not and will not try the experiment. To us liberty means toil and detail, small responsibilities vigilantly guarded, a multitude of principles respected, a vast amount of great and small fatigues in great and small causes, rewarded amply in the mass and in the end, but not very visibly or very soon. . . . And . . . we should object, even if it were possible, to see great World-Congresses attempting to hasten the reign of universal love and peace, which must spring, if ever, slowly and through an infinite number of local, national and individual roots.

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Belgrade Balance

ONE suspects that in both Belgrade and Moscow a good many fingers stayed crossed during the ten-day visit of Mr Brezhnev, the Soviet Union's president, to Yugoslavia; neither country is likely to want to damage the links that have been rather tentatively and laboriously forged between them. In the event, a first impression is that by the time Mr Brezhnev departed for home on Thursday his tactless attacks on the "American imperialists," particularly at Split on September 27th and in Belgrade on



Here's hoping

Tuesday, may have annoyed the Yugoslavs more than they allowed to appear. Mr Brezhnev's diatribes are curious in view of the tenderness towards Yugoslav susceptibilities that the Russians are now showing. (The version of the Chinese central committee's communique of September 28th that was published in *Pravda* on Monday carefully omits all the attacks on President Tito.) If what he said was deliberate, it may have been either a bow in the direction of Peking, or else a clumsy attempt to prod the Yugoslavs off their uncommitted stance.

Mr Brezhnev, however, seems to have tried too hard, and to have made his host wary of expressing himself on international issues. Marshal Tito did say that Russia and Yugoslavia thought alike on a number of international issues—which everyone knew already. But he failed to make any public commitment in favour of a separate east German peace treaty—which, maybe, is what Mr Brezhnev had hoped for. And on Tuesday an especially virulent attack on Nato by Mr Brezhnev (which caused the Nato ambassadors to boycott a Soviet reception next day) apparently provoked the marshal into putting forward a more balanced point of view than that of his guest.

On the other hand, if Marshal Tito had been hoping for some statement of Russian approval for the Yugoslav path to socialism more categorical than anything the Russians have made before, he in his turn was disappointed. Something may possibly—but not very probably—have been done in private to smooth away the ideological differences that both parties acknowledged

NOTES OF THE WEEK

at the beginning of the Soviet president's visit. But, if so, no hint has so far emerged in public.

EUROPE

The Core Theory

PRESIDENT DE GAULLE'S ceremonial visit to west Germany on September 4th-8th left behind an unanswered question. Did his talk of an "organic" Franco-German union reflect a new and precise initiative towards an exclusive relationship between the two countries—or was it just talk? Now the French government has provided an answer. In a memorandum sent to Bonn it has suggested that regular meetings should be held between the foreign ministers and defence ministers of the two countries, with joint committees to do the preparatory work. These ideas are not new, the French point out; the idea is merely that France and Germany should apply between themselves the arrangements that the French proposed for the Six during the abortive talks on political union earlier this year.

One purpose of the memorandum may be to get the six-nation talks on political union going again by making the other four partners think that if they continue to go slow France and Germany will press ahead without them. But there are more disturbing motives too. As it has come to be realised in Paris and Bonn that the economic communities will probably be enlarged to include most of western Europe, a certain school of thought, anxious to retain a tight-knit core at the heart of the union, has urged that a common foreign policy and common defence policies can be successfully devised only by an inner grouping of large powers. Supporters of this thesis do not always exclude the British from the inner elect. But Dr Adenauer evidently would, and there is a wider reluctance to have Danes, Norwegians and others in.

The latest French move will meet vigorous opposition, not only from the many Germans who want the British in, but also from the powerful "Europeans" who realise that the creation of an inner club would shake the existing Brussels communities to their foundations. In the short run this resistance will probably succeed. In the long run much will depend on the British position. First, the British have to get into the economic community. Once they are in, their chances of keeping the political community, too, as broad as possible will depend on whether they have positive ideas on the subject—say, for strengthening the European parliament.

UNIVERSITY FINANCE

Still in 1961

THE universities are getting a 20 per cent rise (to £30 million) in the Treasury grant for new building next year, but none

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of this will provide for extra development. All it means is that, at recent rates of increase in building costs, the universities should get the full value of the £25 million allotted to them by Mr Selwyn Lloyd in January, 1961. Thus Mr Boyd-Carpenter has redeemed Mr Brooke's pledge in the Commons last April and drawn the sting from one of the complaints made by the Committee of Vice-Chancellors and Principals on March 27th. The non-recurrent grants for 1964 and 1965 (for which years Mr Lloyd invited the universities to plan on the basis of £30 million starts) are also to be reviewed. But the Treasury is still thinking in terms of no more than 150,000 places by 1966-67, although the number of qualified sixth-formers seeking places is much more likely to be 185,000 or over by then. Mr Boyd-Carpenter should now be plucking up courage, in advance of the Robbins committee report on higher education, to raise the building starts after 1963 significantly above the £30 million mark in real terms.

But there is a good deal that the universities can do themselves to ease the 17-plus bottleneck. The shortage of cash, particularly for student halls of residence, is being partly alleviated by development appeals. Hull, which is asking for £250,000 (and has already got £100,000), is the latest to join the expansionists who see the practicality of a little do-it-yourself. The shortage of staff and facilities could also be helped by a more intensive use of resources. Dr Michael Young, of *Where?*, is now urging, like *The Economist* and others, a shift system of teaching; and even more immediately, Dr A. P. Rowe told the British Association for Commercial and Industrial Education last Saturday that

there is a large reservoir of comparative idleness and futility which could be drawn upon to provide staff for greatly increased student members. Obvious steps are to substitute more teaching for dilettante research, abolish clumsy committee procedure and shorten vacations.

It is all the more imperative that the selection of sites for the post-Robbins batch of universities should be governed by the availability of laboratories, libraries and classrooms (i.e., existing universities and research establishments) and the convenience for students who will have to live in lodgings or at home (i.e., the outskirts of large conurbations). Those who are affronted by these makeshifts have still not grasped what a crash-programme for higher education means.

THE CHURCH AND SUICIDE

A Common Service?

FOR the last 18 months joint committees of the Convocations of Canterbury and York have been considering what form of burial service is appropriate for people who take their own lives. Their report (like the telephone Samaritan service, which tries to prevent suicide) is far more pragmati-

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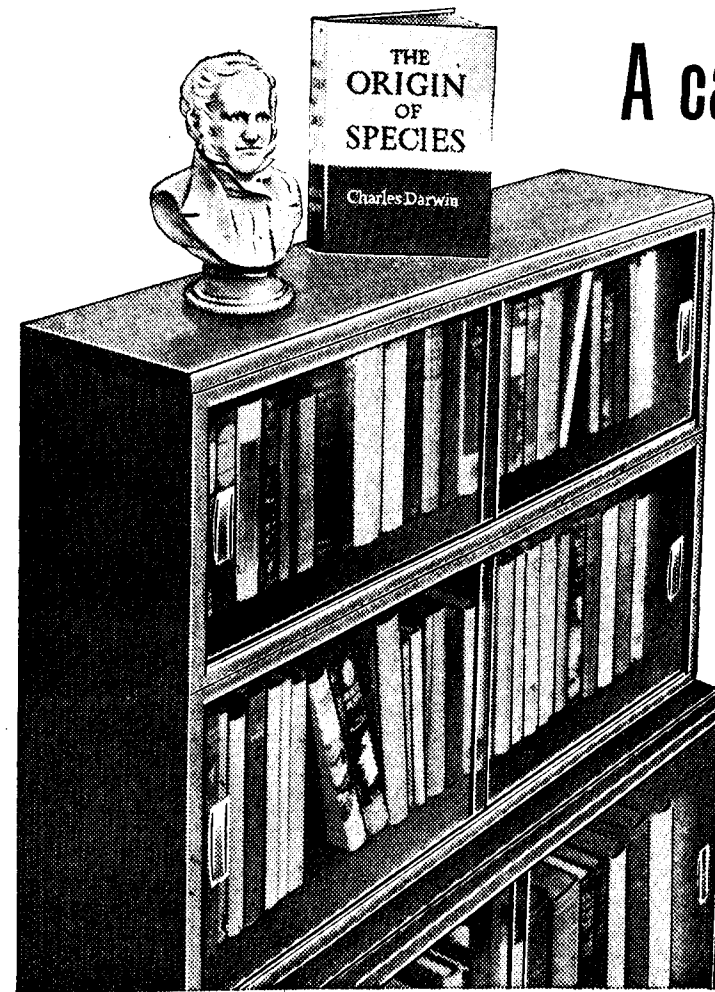
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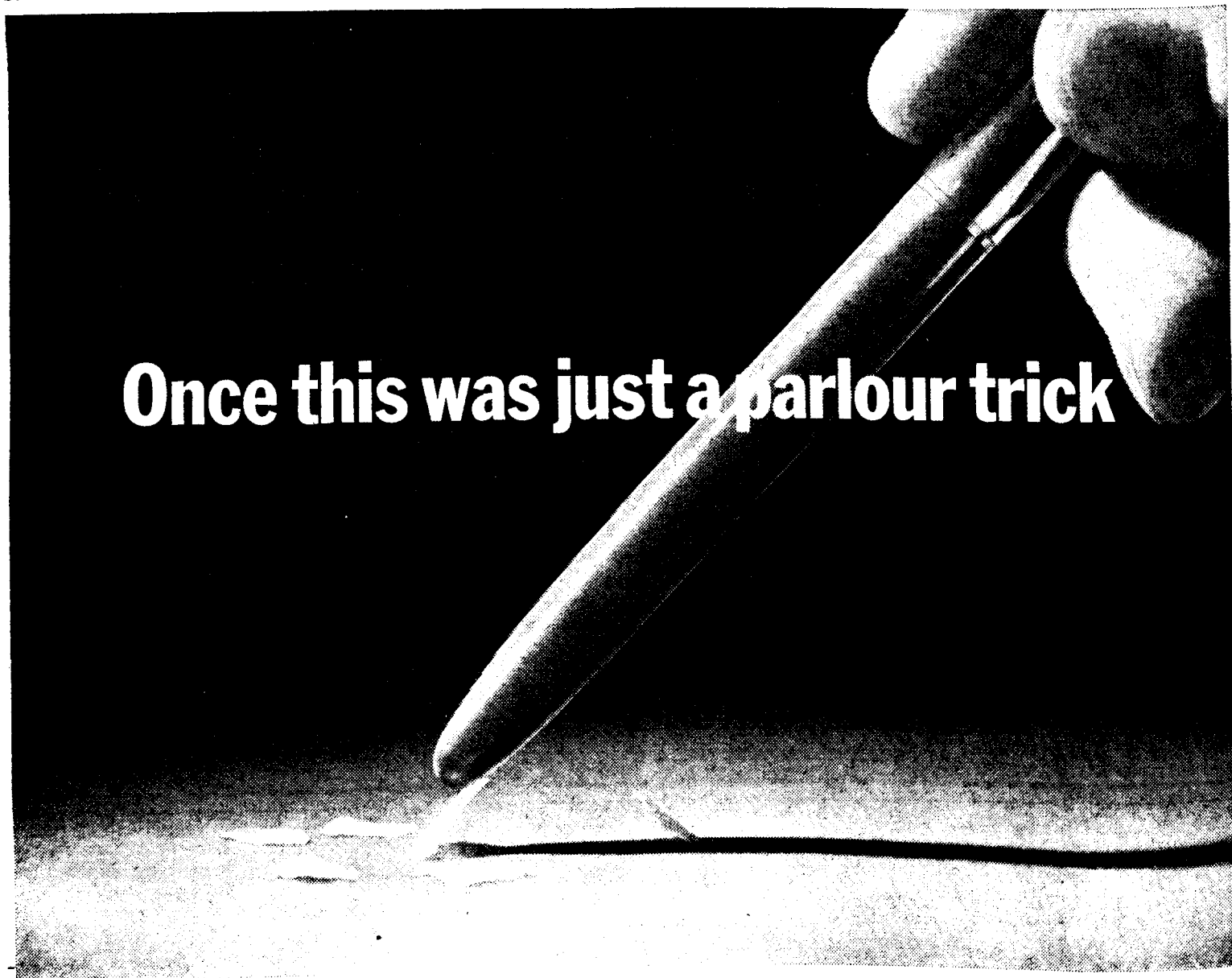
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cally humane than the premise underlying it: that, though no longer a crime, suicide is still "a grievous sin" unless—along with one or two other exceptions—the person committing it can be regarded as mentally disordered. Most people will not be on the same wavelength as the church's spokesmen when they justify the distinction between suicides that merit moral condemnation and those that do not, for few can be confident that all the circumstances leading to the act are necessarily brought to light. Thus they will welcome all the more the committees' conclusion that, nevertheless, no suicide should be denied a religious service because he killed himself, and that the same service should be used for all suicides, whatever the motive or lack of motive, behind their deaths.

The main change in the proposed service, at least to the layman, is the omission of those passages implying that the death was the will of God, and the substitution of a different lesson and one or two different prayers. Many laymen will also think that, so far from the proposed service being offensive to the feelings of the relatives and condemnatory of the dead person's act, it has many advantages over the regular service, being simpler and more appropriate to the needs of the occasion. Would it not be possible, on the assumption that convocation approves the proposed service, for it to be used in all cases where the deceased or his relatives preferred it?

BERLIN

Ideas of November

MR KHRUSHCHEV, who has been touring central Asia, has not been obliging enough to disclose what, if anything, he intends to do about Berlin in the next few weeks. But he has done nothing to discourage the building up of speculation, particularly in Washington, which has by now equipped him with a detailed timetable. According to some of the prophets, he will wait until after the November 6th congressional elections in the United States; will then conclude his long-heralded separate peace treaty with east Germany; and, as his next move, will descend upon the United Nations Assembly in New York to protest his peaceful intentions and secure general acceptance of whatever he has contrived to gain at the expense of the western position in Berlin.

Of this forecast, it can at least be said that a third trip to America by Mr Khrushchev—a visit which he can, of course, pay as a UN delegate at any time he likes while the Assembly is sitting—seems a more likely prospect than a journey to Russia by Mr Kennedy. However warmly the Soviet leader may have intimidated, in talk with such recent American visitors as Mr Udall and Mr Salinger, that he would like to see the President in Moscow, it would clearly be politically perilous for Mr Kennedy to go there without some prior understanding

about a relaxation of Russian pressures in Berlin or Cuba.

As November approaches, and with it the four-year mark in Mr Khrushchev's long-drawn-out squeeze play on Berlin, the western sky is bound to be dark with counsel. The argument that the vital thing is to leave Russia in no doubt that the West will hold its ground has already led Mr McNamara, the American Secretary of Defence, to put a surprising emphasis on the possibility of a prompt resort to nuclear arms in the event of a Soviet blow at the Berlin access routes. In Germany itself a sensational puzzle has been provided by the publication in the right-wing *Soldatenzeitung* of a purported interview with Dr Kroll, the controversial former west German ambassador in Moscow. The interview, which Dr Kroll has repudiated, had him saying that much could be done to prevent Russia signing a separate treaty with east Germany—but not offering any specific advice about what should be done. Such advice (as opposed to general admonitions about not surrendering vital interests) is not easily come by; and, as the idea of November draw nearer, the sight of Mr Dean Rusk and Lord Home continuing what seem to be still only exploratory contacts with Mr Gromyko in New York is not a particularly encouraging one.

LAOS

Receding Deadline

FOREIGN troops do not look like being out of Laos by this Saturday, October 6th, as agreed in July by the international conference in Geneva. The main trouble is that none of the four communist delegations at the Geneva conference ever admitted officially that the North Vietnamese had sent troops into Laos, although the Russians, towards the end of the conference, were admitting privately that "there might be a few of them" there. (There has been a similar reluctance about Vietnam, although a North Vietnamese minister indiscreetly disclosed at a press conference in Geneva after the signing of the Laotian agreement that the allegedly spontaneous uprising in South Vietnam was under the direction of members of the northern Communist party, whom he named.) Western estimates of the number of North Vietnamese troops involved in the final stages of the Laotian civil war vary from 8,000 (the British figure) to 10,000 (the American).

When Mr Dean Rusk, the American Secretary of State, saw his Russian opposite number, Mr Gromyko, in New York on September 25th he complained that there was little sign that the Vietnamese communists were leaving. At that time, in fact, no more than three dozen of them had notified the International Control Commission of their intention to depart. Under the protocol agreed at Geneva, however, it is as much an offence to leave on the sly as to stay

put. Either the North Vietnamese are leaving their troops in Laos, or they are sticking to the bitter end to the Russian version of the facts.

The Americans, on their side, admit that their advisory group numbered about 800 at the height of the fighting, though the figure is said to have been reduced more recently to 665. Of these, rather more than half have checked out since the Geneva agreements were signed; President Kennedy is understandably reluctant to withdraw the rest until the truth is known about the North Vietnamese. Since Mr Rusk and Mr Gromyko had their talk, the Russian press has been complaining that the Americans have violated the protocol and are endangering the peace by their continued presence. Clearly, however, the chief burden of suspicion lies on the North Vietnamese. If an already fragile settlement is not to founder, Moscow may have to tell Hanoi, not for the first time, to behave itself.

GERMANY

Krone?

BIT by bit the smouldering debate on the Bonn succession is reddening into fire. On September 28th a meeting of the Christian Social Union (the Bavarian branch of the Christian Democrats) declared for Dr Erhard as the eventual successor to Dr Adenauer. Herr Neumann, a Christian Democratic deputy, has suggested that the presidential election of 1964 offers a good occasion for a change; Dr Adenauer could then be gracefully pushed upstairs.

On September 29th Herr von Brentano deplored "the miserable debate over our head of government," and then volunteered a contribution to it. "Dr Adenauer is aware of his responsibility," said the former foreign minister, "and he will not let his life's work go to sleep." Herr von Brentano said that he, for one, would passionately resist any discussions within the party "against or without" the Chancellor. On the same day Herr Dufhues, the party chairman, also delivered a warning against dragging the debate "into the market. The question of the succession is still open." So it evidently is, but there are many signs that a decision of sorts will emerge in the next six months. Some kind of formal discussion within the Christian Democratic party is expected this month, for though many Christian Democrats share Herr von Brentano's reluctance to push the Chancellor out, most want the uncertainty to be brought to an end.

Dr Erhard has not improved his chances in the last three months. It was Dr Adenauer, not Dr Erhard, who imposed a rigorous programme of budgetary retrenchment last month to deal with mounting inflationary pressures. The flash of leadership which Dr Erhard's friends have been hoping for has not appeared. Dr Schroeder, who has won much esteem in

his few months at the foreign ministry, has also encountered some criticism lately, from the diehard group which dislikes his friendliness to Britain. In his case much depends on whether the negotiations to get Britain into the common market succeed. Dr Adenauer's own choice is said to be "Papa Krone," the large, benevolent ex-chairman of the parliamentary party who has sat at Dr Adenauer's elbow for many years, counselling sobriety and quietly persuading the divergent factions of the party to work together. Herr Krone could certainly hold the party together for a time when the Chancellor goes. But he is not the man to provide the forceful leadership in new directions which German politics need.

NATIONAL GALLERY

Sweet and Sour

THE report published this week on London's National Gallery concerns, the trustees feel, "one of the most eventful periods in the history of the gallery." During it (January, 1960, to May, 1962) the gallery was receiving for the first time a reasonably-sized annual purchase grant of £125,000 a year which, in the event, was nearly doubled by special Treasury grants. With two splendid loan exhibitions to draw people in, attendances shot up to 1,318,554 in 1961, 150,000 more than the average in the previous five years. Although still cramped for space, the collection is now better housed; display rooms have been remodelled and the building of the new reference section should be completed next year. Development plans for the whole site are still unresolved, but the trustees make out a good case, which should get support, for the construction on the Hampton site of a new National Portrait Gallery (which is wholly desirable), allowing the National Gallery to expand to the north of its present building and on the area now occupied by the portrait gallery.

But the sweetness of the progress report

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is turned sour by the need to take note of the renewed attacks on the gallery's method of cleaning pictures (which are replied to in detail in the report) and, above all, by the Goya theft. On the latter score, the gallery seems dogged by ill-luck. Although a full-time security officer was appointed in June, illness has so far prevented him from getting down to the job of answering such questions as how many more uniformed staff the gallery needs and how their calibre could be improved. The gallery's safety is still largely in the hands of private security guards.

Striking a sensible level of security will not be easy. To apply the recommendations of the Bridges report in full to the National Gallery and other national institutions would require, it is estimated, a capital sum of some £500,000 and recurring annual expenditure of about £175,000. The trustees comment that "the idea of spending at least a fifth of these sums on security at the National Gallery does not seem to us disproportionate." They are, however, obviously frightened by the Government's suggestion that some of the extra money spent on security might have to be subtracted from "funds available for the maintenance and enrichment" of the collection. This reflects the curious uneasiness which still surrounds the spending of money on arts in this country. It would certainly be more than a pity if the Treasury were to fall down on meeting the costs of keeping in proper care this collection of 2,000 pictures (860 of which are hung on the main floor) which have been acquired so cheaply. For surely the most remarkable statement in this report is that "the nation has not yet since 1924 [when the gallery was founded] spent probably as much as £5 million in purchase money on the formation of this great collection."

MAGISTRATES' COURTS

Lay Justice

MR ROGER HOOD's report on his study of the variations in sentencing policy in English magistrates' courts* does nothing to counter the disturbing impression created by those courts' heavy-handed—indeed in some cases almost hysterical—use of their new-won power to recommend deportation of immigrants appearing before them (*The Economist*, July 28th). On the contrary, it is clear from this careful and tactful examination that there is often a social factor accounting for the imprisonment, in one case, of 55 per cent of male offenders convicted of indictable offences, and of only 3 per cent in another. In the first case the court is imprisoning far more people than seems reasonable in the light of their records and characteristics and in the second offenders are being given sentences alternative to the imprisonment which even liberal common sense indicates as their lot.

* Sentencing in Magistrates' Courts: a study in variations of policy. By Roger Hood. Stevens 20s.

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Mr Hood's conclusions confirm what every person who has ever appeared before the magistrates has known since magistrates first were: some are kindly, humane, even soft-hearted; and some are just plain bloody-minded, quite as likely to deport a Jamaican for loitering as their opposites are to levy a £5 fine on a procurer. What is also confirmed, however, is something which only the habitually hard-done-by have previously asserted with any conviction: that such variations in policy extend not only to whole benches of magistrates but even to whole areas of the country, and that there is at least some evidence, as Mr Hood writes, "in favour of the hypothesis that middle-class magistrates dealing with working-class offenders in relatively small and stable communities are likely to be relatively severe."

What can be done to achieve something like standardisation in sentencing policy? Relatively little, according to Mr Hood, who has uncovered a profusion of influences—not many of them progressive—determining the attitude with which the man on the bench will eventually be equipped when he tries his first offender. There is a wide gulf between the extremes of penal philosophy held by justices which only an undesirable central direction could bridge; and there is a general failure to use permissive legislation to instigate proper inquiry into an offender's background and circumstances before sentence, just as there is far too little use of probation among adult offenders. Some good, however, could almost certainly be achieved by better training of magistrates (who now suffer the tutorship of their chairman, whatever his views of class and punishment); by mandatory remands for inquiry in certain cases; by much more extensive sharing of experience among justices in order to establish some norm of penal usage; and by widening very considerably the present very limited social range from which justices are drawn.

BRAZIL

Jango and Jânio

PRESIDENT João Goulart and ex-President Jânio Quadros share vested interests in stressing the evil times that have fallen upon Brazil. Sr Quadros, trying for a political comeback at the congressional election this Sunday, October 7th, has been campaigning with all his old biblical fervour as Brazil's saviour, newly risen from the dead (more precisely, from a slow trip round the world). President Goulart, meanwhile, has been flinging his formidable energies into the mission of proving that a parliamentary system is unworkable in Brazil. As prices rise, as people get hungrier, and as the threat of civil war rumbles on, only their own disciples would contend that the two men are not, in their separate ways, themselves partly responsible for their country's present sorrows.

Sr Quadros, who abruptly abdicated the presidency in August, 1961, is now standing

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for his old job as governor of the state of São Paulo. Of his three competitors, the one who runs him closest is Sr Bonifacio Nogueira, the state's agricultural secretary and the favourite of the respected out-going governor, the press and the middle class. As often in the past, Sr Quadros has no major political party behind him. His campaign is financed by business groups who still believe in him; his extraordinary magnetism with the crowds has survived, it seems, all evidence of his unpredictability.

Brazil's system of presidential government (on the American model) was changed to a parliamentary system when the vice-president, Sr Goulart, a labour boss unpopular with the armed forces and the right wing, succeeded Sr Quadros. "Jango" Goulart, an heir of the Vargas regime, is not the man to accept lightly the whittling away of his authority. He insisted that the question of presidential versus parliamentary government should be put to a referendum. Congress, aware that a national vote would probably go against it, fought back. A number of judicious appointments brought a powerful section of army opinion to the president's side. The trade unions staged a series of arm-twisting strikes. Finally, a senior general announced that he could no longer be responsible for keeping the peace if a plebiscite were not held, and Sr Goulart triumphed. Last month Congress voted, by a narrow margin, for a plebiscite to be held on January 6th.

With or without the president's help, Brazil's sluggish and faction-ridden parliament has put up a lamentable showing over the past year. In the country's present

NOTES OF THE WEEK

volatile stage of development, a strong man in control is probably essential. Sr Quadros has proved he has enlightened ideas; Sr Goulart, that he has aggressiveness. Neither has yet indicated that he would be prepared to put his country's interests before his own.

RHODESIA

Turbulent Autumn

WHEN an accident looks about to happen, shut your eyes and hope you get through unwrecked. This seems to be the rule for Mr Butler, the minister responsible for central Africa, and it is hard to see how he can follow any other. Mr Butler is spending the first half of this month hearing and reading the reports made by his team of personal advisers, which has just returned from the Rhodesias and Nyasaland. They must be pointing out to him that the near future is dangerously accident-prone. There will be an election in Northern Rhodesia on October 30th; the minority African National Congress party, whose troops are being trained in Katanga, may prove a bitter loser to Mr Kaunda's United National Independence party. In November Dr Banda, of Nyasaland, will come to London to demand from Mr Butler independence from the federation headed by Sir Roy Welensky; it remains to be seen what kind of a loser Sir Roy will prove to be.

In Southern Rhodesia it is not yet decided who the loser will be. There will probably be an election in December, called by Sir Edgar Whitehead while his conservative, mainly white, electorate remembers his

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putting down of the Zimbabwe African People's Union (Zapu) on September 20th. After the election, Sir Edgar keeps telling his friends (including those in the British Government), he might offer liberal reforms, like allowing Africans to buy land in white areas, and even allowing a few more of them to vote. But if such measures do not bring reconciliation between the races, and Southern Rhodesian troops are used to shoot African rebels or terrorists, then it is the British Government that will take the blame. For this reason every possible private pressure should be put upon Sir Edgar to come to terms with his Africans more quickly than he is doing; direct British intervention, in a colony that has enjoyed self-government for forty years, is, of course, not possible.

The possibility that things may go from bad to worse was heightened on Tuesday when Mr Nkomo, leader of the banned Zapu, belatedly flew back to Salisbury and restriction. Mr Nkomo's unheroic flight to Tanganyika on September 21st, and his inept statements while in Dar-es-Salaam, must have cost him a great deal of political support; but, once safely in restriction, he is almost bound to be made the figurehead leader of any new mass African nationalist party. This will be a disadvantage to such a party, however much more sophisticated its leaders may prove to be than were the men in charge of Zapu. And in the logic of African nationalism, the new party can hardly be expected to be less intransigent than Zapu; the logic of white nationalism is described on page 40. There is plenty for Mr Butler to close his eyes to.

HOME REPORT

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

Labour out of Europe? Grieve Over Gaiters

FROM OUR SPECIAL CORRESPONDENT AT BRIGHTON

"THIS is a sober conference," said Miss Jennie Lee, "but there is an undercurrent of excitement to it. For we believe that we are coming back to power." It soon became obvious that she and her colleagues on the national executive were using Brighton to open their (somewhat premature) general election campaign, in an initial mood to which a choice of adjectives could be applied: sober, cautious, conservative, gingerly, evasive, sometimes shiftily, and very often dull. Life's worse for the Conservatives now, they seemed to say, don't let this conference ruin it.

The infuriating thing is that the Labour movement, which at heart is not as backward-looking as its national executive is making



it appear, does not need to be led in this way. It was significant that the first speaker to set the conference's cheers aflame was a young doctor on Tuesday morning, with a speech on the need to rebuild Britain's old hospitals which would have won equal acclaim from a Liberal conference or parts of a Tory one. The desire to plough a lot more money into health, education and new housing

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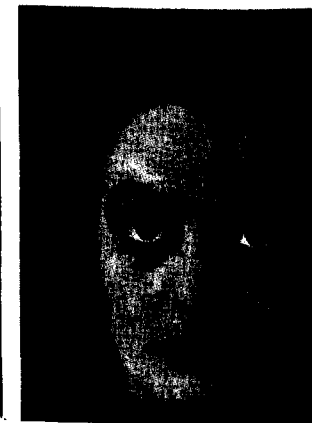
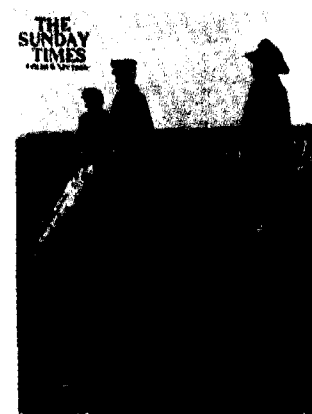
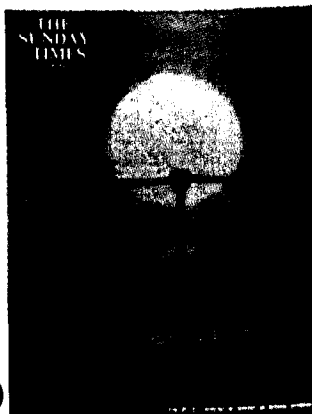
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is the nearest thing to a "new frontiers" policy which Labour has got: the national executive, of course, accepted all these motions, but muttering responsibly the while that their fulfilment would have to depend on the resources becoming available, and then irresponsibly strengthening the supposition that Labour would rarely agree to set resources free from other things.

The tragedy of Monday's transport debate was not the strike threats of the trade union leaders (though these made Mr Gaitskell wince), but this clogging note of resistance to change. "The railwayman is not fighting for more compensation," said one union leader, "he is fighting for his right to his job"—and, incredibly, the platform joined in the mumbled applause. But it was only mumbled, compared with the cheers the doctors were to arouse next day; for, to do the Labour movement justice, it does now recognise instinctively (though not yet explicitly) that extreme trade union protectionism is tiresomely old hat. "We must unitedly express the railwayman's bitter anger," droned the union leaders to a conference where some delegates were engaged in reading their daily newspapers; and, of course, the delegates did politely and unanimously vote their "bitter anger"—or at least those who had not already slipped out to an early tea.

AND so to Wednesday's motions on the common market, where Mr Gaitskell was to lead the Labour party back away from the new frontier in a debate that was billed to be the most fervent of all. The debate was important and depressing because what is now Mr Gaitskell's inner daemon emerged all too clearly from it. In the past year Mr Gaitskell has found himself slightly to the anti-European side of those with whom he usually has associations; he has got used to arguing with them. But progressively, as he himself intimated in a revealing aside on Wednesday, his views have hardened as he has grown "sick and tired" with the "nonsense and rubbish" of those who have dared to oppose him. The result is that his personal intellectual *hauteur* has taken over, and he is now at the stage where every argument and statistic has to be emotionally twisted to support anti-European views. This is an easy temptation for all professional or ex-professional economists, and there can be few who will not ruefully recognise many occasions and controversies when they themselves have fallen into it; but it is an enormous disadvantage for a leading statesman nonetheless, and one which Mr Gaitskell, when in soberer mood, would recognise that he fell flat into on Wednesday.

The conference, of course, was set and prepared to cheer him; but it was noticeable that the first time the cheers really erupted was when he said that if Labour opposed the eventual terms the Tories had got to grant them an early general election. The clapping at the end was as loud as every delegate had intended it to be from the start, but the vocal cheering rolled out obediently only at the second stage of the ovation. This was a demonstration of electoral hope and optimistic prejudice, totally different in kind from the Tuesday's (health service) debate's spontaneous and unprepared roar of full-throated idealism. This perhaps was why there was not the expected huge outcry when Mr George Brown, in the bravest speech of what some regard as a diminishing political life, tried doggedly to push the party back towards modernity. Mr Brown made the most courageous speech at a Labour conference since Mr Gaitskell's at Scarborough two years ago, and it was not a nice thought that he was batting on a pitch which Mr Gaitskell had deliberately dug up for him. It was thanks to Mr Brown, and to the clumsiness of the extreme anti-marketeters in pushing two unofficial motions through to a vote (and overwhelming defeat), that the pro-Europeans left the conference still clinging to slightly more straws of hope than they had expected.

Where does all this leave the balance of power in the Labour party? It is nonsense to say, as so many have said, that Mr Gaitskell has craftily strengthened his position in the party by

winning the majority of the conference's acclaim. The conference is still liable to turn against his wishes, as it did twice on Tuesday—by refusing to allow the executive to expel any Labour members who "associate with" (as distinct from officially "belong to") communist organisations, and by turning Mr Callaghan off the executive (in an emotional switch of votes to the second Lord Stansgate, for Labour dearly loves a reluctant lord). But this may not matter: the conference is by now effectively devalued as a creator of policy, especially as the executive has at last learned the disarming technique of accepting the most embarrassing motions on the specific understanding that they must on no account be taken to mean what they say (the technique was used this week in both the Pilkington and education debates).

BRIGHTON has also dampened one's fear that Mr Gaitskell looks like becoming more of a prisoner of the exiguous left in Parliament, especially if a Labour government gets in: he and Britain are now more likely to be saddled with an inefficient such government than with a left-wing one. The insubstantial left-wing figures on the executive, who owe their positions to their popularity with the conference, did not seem this week to be hell-bent to make the next Labour government an all-nationalising force. Some at least are now more intent on angling for ministerial office if the electorate and then Mr Gaitskell give them the chance. Once in office a Labour government would no doubt block any desirable reforms that carried any "awkward political implications" with them or that annoyed the big trade unions. But it would not carry out any really socialist policy (because it hasn't got one) and would indeed probably fall surprisingly supinely and undesirably into the pockets of its civil servants—even (dare one mention it?) if some of them were by then the gentlemen in Brussels instead of merely in Whitehall. Of course, all this would be changed if Labour came to pledge itself that it would automatically repeal any Tory signature on the Treaty of Rome, but on Wednesday it was still fighting clear of outright commitment to that.

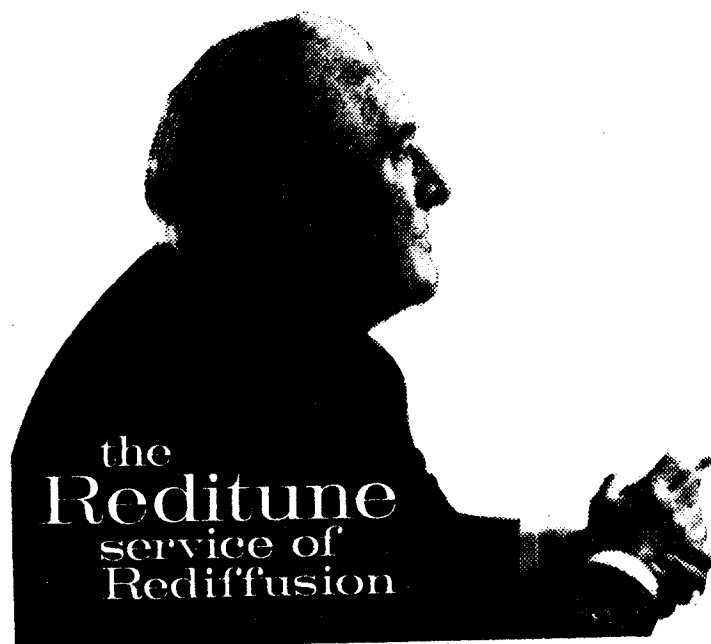
Strangely therefore, it is if Mr Gaitskell loses the next election that the consequences of Brighton could be more obviously dramatic. Hitherto it has not been true (although it has been conventional) to say that if the Labour party in 1964 suffered a fourth consecutive election defeat it would be bound to break up. Now it might very well do so. Mr Gaitskell's new allies of the left and at the conference would start rising again against him as soon as he had no prospective power to give them ministerial jobs; but now he has disheartened and even antagonised many of the most thoughtful men of the party as well. Just as a large majority of the people who have risen to the top in the civil service are pro-European, so are many of the same sort of people in the Labour party; and it is these brighter sparks who could now conceivably start to drift off toward the Liberals.

Mr Gaitskell's oldest personal friends on the Labour Common Market Committee (36 Labour MPs strong) behaved with a troubled dignity rather than rebellious courage at Brighton this week: his closest Brutuses seem unlikely to stab him from front or back. But there are some among this section who have not had the same personal ties with him. Twice your correspondent was told at Brighton, in almost identical words, "The Economist was dead right about Gaitskell three weeks ago. He's been reading all you said about his losing touch with youth, and it's cut him to the quick." One had not expected to hear such flattery from anybody at a Labour conference; and then, suddenly, one realised that one didn't want to. If the old relations between Mr Gaitskell and the "new frontier" wing of the Labour party are now dying, this is a national calamity. The fear now must be that he cannot rebuild those relations in this Parliament, and that in the next his party might fall apart.

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Is London Really Necessary?

FROM OUR BICYCLING CORRESPONDENT

LONDONERS, of course, are wonderful in a crisis; so wonderful were they in Wednesday's rail strike (which was broken only by half-a-dozen eccentric Tube motor-men and guards) that no crisis could eventually be discerned. "How You Got to Work" was the story offered by an evening paper's bill at midday; by the evening it was back to more horrific form with "Man Held in Boiling Vat." But even with this bait the paper was selling slowly. London, in effect, was empty. Many offices arranged for essential staffs to stay in town overnight: one American bank is said to have booked 95 hotel rooms, while British firms, more austere, arranged for people to kip down on camp beds or other *ad hoc* couches. For the rest there was an extra day at home (some offices, in their staffs' view rather unfairly, decided to work Saturday instead). Golf courses were packed, and suburban shops did a roaring trade—while London lunch-counters by tea-time were laden with desiccating sandwiches.

Many of those who did have to travel found themselves embarrassed in the least expected way. Suburbanite members of this paper's staff, for example, loyally set out to brave the early traffic and found themselves at work far ahead of their usual time of arrival. Meanwhile, Your Bicycling Correspondent, who usually finds himself well up with the congested motorist, was unable to track down a traffic jam on which to report all the way from Hammersmith to Stepney. The buses, which normally travel far slower than a bicycle, were roaring on ahead half-empty. Only at those points on the outskirts where converging main roads regularly cause blockages was there anything approaching serious traffic trouble. So well had motorists answered the call to start early that the usual jams at Swiss Cottage and the Elephant and Castle took place at 8 a.m. instead of an hour later.

But the credit for Wednesday's lack of trouble was not due entirely to absenteeism from offices. The first helper was the fine weather: streets leading from the bed-sitter belt to office areas were lined with healthy pedestrians (pretty girls, of course, got lifts). Equally important were the lessons left in

Londoners' minds from the Monday tube strike in late January when, in the immortal words of the Automobile Association, "the morning and evening rush-hours merged." Of course it was easier for firms to arrange overnight accommodation before and after the Wednesday than it had been on that black Monday, when people could not be asked to break their weekends to sleep in town on the Sunday night; and this time pubs and shops could be stocked up on the Tuesday, and delivery vans kept off the road on the strike day.

However, the police and the London Transport buses deserve full marks for the way in which the "tidal flow" of traffic was organised on four main routes and some Thames bridges, to bring traffic in one-way in the morning and let out in the reverse direction in the evening. The change in flow, at 3 p.m., was effected with remarkable smoothness: the demonstration of how this was done at the complex intersection

Whose Manger?

AUTUMN is come, and in the veins of wor-shippers of the countryside, the ferment stirs again. Its latest outward manifestation was the conference called by the Ramblers' Association last weekend at Sheffield, at which discussion centred on the intrusion into rural Britain of such untoward excrescences of the twentieth century as oil refineries, television masts, reservoirs, nuclear power stations, early warning stations and, notably, the motor car. Much reactionary fervour was generated; some really astonishing ways were suggested of keeping the horseless carriage from its defilement of the wilderness; and in praise of privacy, peace and quiet, a great many people were faintly damned out of the prosperity they are only just beginning to enjoy. A ground bass to this thin, complaining note has been supplied simultaneously by the publication of the 36th annual report of the Council for the Preservation of Rural England, which harps diversely on the same themes.

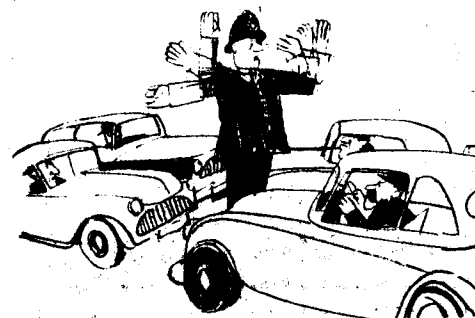
Lest it be thought that what preservationists denigratingly call utilitarians are merely heartless carpers, it ought to be repeated that the retention of national parks legislation is on the whole a good thing; that rural beauty is a valuable heritage and, apart from its recuperative effects on jaded townsmen, brings in dollars; that the preservationists do have justifiable grievances—when vast and disfiguring projects are pursued regardless of anything but the

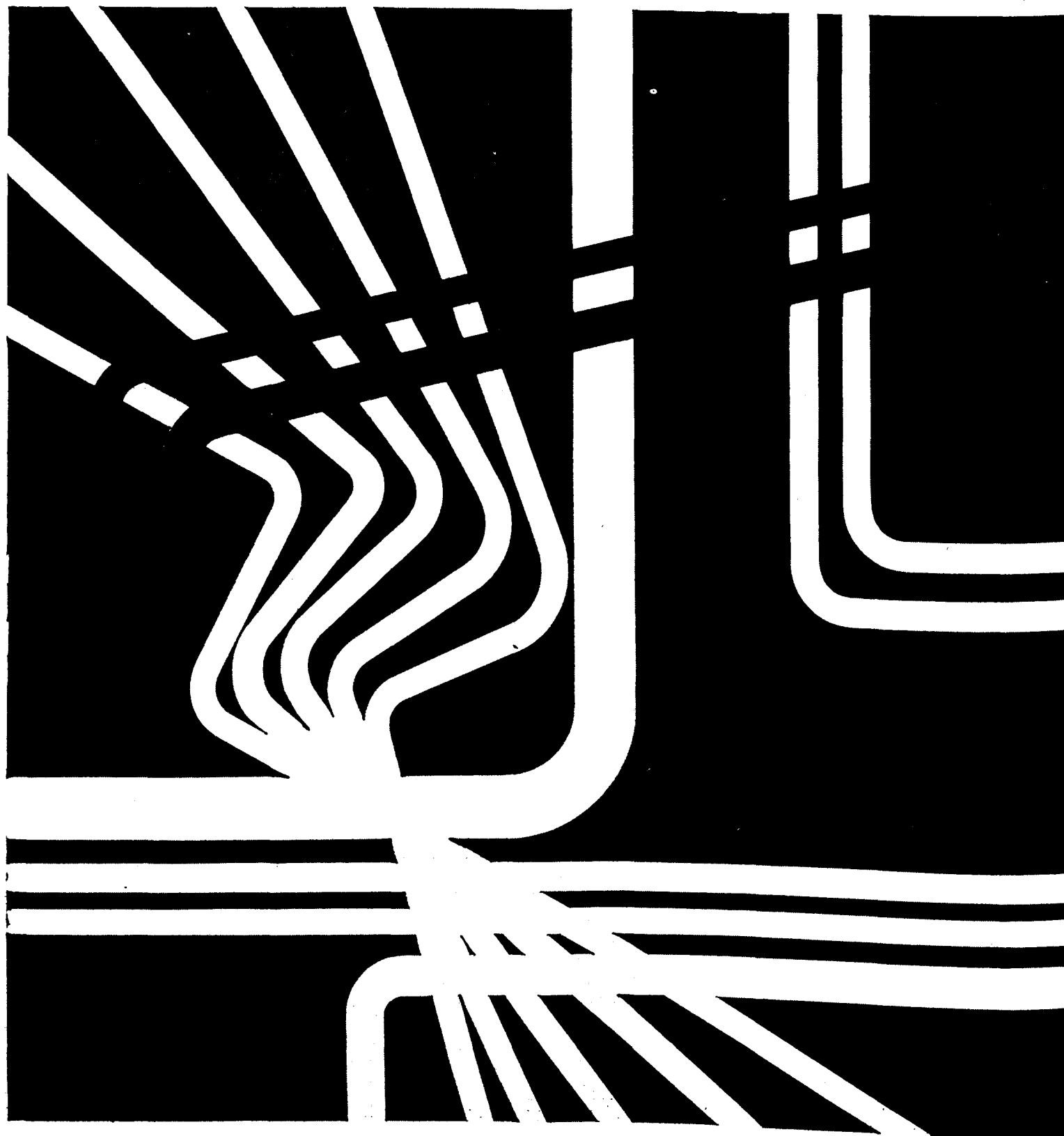
of Knightsbridge/Sloane Street/Brompton Road removed this observer's last doubts about the practicability of such an arrangement, on a smaller scale, for everyday use at some notorious bottlenecks. (London Transport understandably object that they lose too many bus passengers if people are not sure of the routes, but once a change in flow became a habit this objection would probably fall.)

Two further remarks seem called for by the events of Wednesday. First, a rather ridiculous aspect of class discrimination. Almost all jobs involving manual workers (building, road-works, transport from the docks—precisely those operations that do most to block the streets) went on while office workers got their day off. This was not because manual workers find it easier to get about without railways than white-collar people. But "staff" are paid weekly and do not lose money through an unavoidable day off, but manual "workers" do. Secondly, if London can continue to function, even for a day, with (at a rough guess) fewer than half its office workers, could not their number in the central area be permanently reduced? After all, the new towns were deliberately designed to let people walk to work.

original planner's idea of convenience, for instance, and that too easy an access to areas of outstanding beauty would soon result in their ruin. But the utilitarians have their case to put as well, and it needs to be put all the more strongly whenever preservationists talk themselves into sheer obstruction of all development, irrespective of its merits. The national parks cover 5,250 square miles and it is not unreasonable that the public at large should wish to visit them in cars, caravans and motor coaches, or that electricity and television links for neighbouring areas should be given fair consideration (which the National Parks Commission usually does).

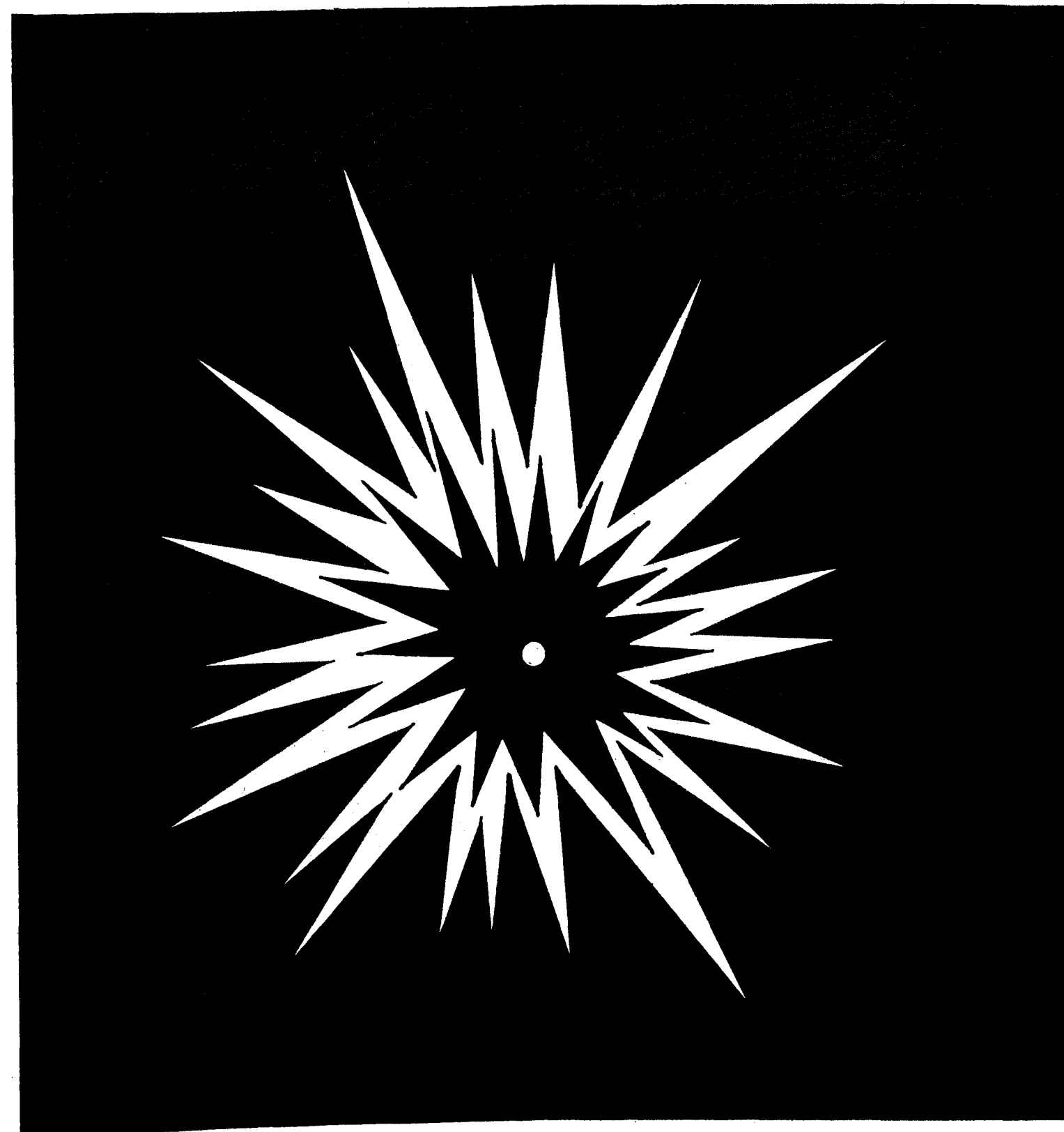
Just as the total area of the parks and of designated areas (like the Hampshire South Downs for which a protection order was issued on Monday) can be expected to increase steadily, so there may be sections inside them that ought not to be preserved in aspic for all time. Planning refusal for a reservoir on the fringe of Dartmoor may bring joy to the hearts of ramblers, but what will be felt by the villagers of north Devon who must ration their water in a dryish summer? And if the preservationists are to come to terms with the growing wave of motorised holidaymakers, probably by some partitioning of the countryside, then there will have to be more willing acceptance of scenic drives and their accompanying (but sensibly chosen) picnic lay-bys and caravan sites.





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THE WORLD OVERSEAS

Southern Rhodesia Up the Pole

FROM OUR CORRESPONDENT IN SALISBURY

ON the afternoon of September 24th in a parking lot in the middle of Salisbury a young air hostess was hoisted in a bosun's chair to the top of a thirty-foot pole. There she was to stay all week, comforted by a teddy bear and surrounded by as many other comforts as her little platform could hold, in an obscure attempt to advertise the coming Salisbury Festival of Sound and Light. The festival has deviated somewhat from its original inspiration from the *Son et Lumière* at French chateaux; its main attractions appear to be massed choirs singing "Onward Rhodesia," Go-Kart racing and a mock battle waged with 25-pounder field guns. As for Miss Veronica Hall on top of her pole, she soon confessed to feeling "rather lonely" and appealed to Rhodesians to telephone her.

One hopes that Sir Edgar Whitehead, the prime minister, was one of the first men on the telephone. For he and Miss Hall seem to have much in common. Having banned the Zimbabwe African People's Union (Zapu) on September 20th—the third African nationalist party he has outlawed within four years—and forbidden by a new law any of its 130 officials from taking a hand in forming a new party, Sir Edgar has cut himself off from the normal foundations of political negotiation and advance. Businessmen and journalists friendly to him have been scurrying about encouraging other leading Africans to form a new "nationalist" party which would play politics according to Sir Edgar's strict rules. But there has been no response from anyone of standing. It is seen as a new attempt to divide and rule.

For those diminishing numbers of Europeans who perch on the small platform of Rhodesian society there are still plenty of comforts. After all, the average European annual wage continues to rise and now amounts to £1,173. Yet Sir Edgar and his voters have begun to realise how tiny their platform is. They ask, how can they broaden the base of prosperity for the average African worker who earns £95 a year? Obviously there are many ways, given money and no prejudices. But there is no money, for instance, to reach the target of sixty upper primary schools a year, and prejudice has restricted the number of African apprentices to thirty and barred African children from using European schools which have been closed down or are half empty. With a Southern Rhodesian election in the offing, the federal minister of education, Mr Philip Duncan, does not dare to introduce fees in European schools; these could provide at least £4,000,000 a year for African education. Sir Edgar brands the Zapu youth league as "a terrorist organisation typical of the worst days of fascism." A more profound look would show him that members were mostly school-leavers trying to enter a contracting labour market at the rate of 400 a month; in their frustration they turned to the excitement of manufacturing petrol bombs.

Sir Edgar advertises his festival of sound and light at which non-racial choirs of nation builders sing "Onward Rhodesia," and he himself heralds the day of equality of opportunity in impromptu broadcasts which worry his officials. The build-a-nation campaigners are planning to limp on to the highway again and his party lieutenants are confidently talking of registering more African

voters now that Zapu intimidation is removed. They will have to work miracles to increase the African proportion of the electorate much beyond the present one-eighth. His information men have been busily canvassing African opinion on the banning of Zapu and have rejoiced to find men who make such gratifying comments as, "The party is like a hammerhead's nest, it is built with all kinds of rubbish." They somehow fail to find all those despondent people who see only bloodshed and doom ahead now that their chosen avenue of protest has been blocked, people whose homes have been repeatedly entered without warrants and their pockets and cupboards searched at gunpoint, people whose only experience of Sir Edgar's festival is a not so mock battle with their white partners turning the 25-pounders on them.

The prime minister's best way off his awkward perch is to call a snap election in November or December. He would win this on European approbation of his recent tough measures, although he would probably have the new experience of finding on his left wing some liberals who may capture some of the fifteen new lower roll seats in the absence of African candidates. Sir Edgar gave a hint of an early election when on September 23rd he reshuffled his cabinet and introduced forceful men at the treasury and the ministry of native affairs. Mr Ellman-Brown and Mr Ewing seem to have been brought in not so much to bustle through reforms before the election as to offer the electorate a preview of the energetic government they should elect. Having won the election, Sir Edgar can slide down his pole to the ground, where he can soon begin new constitutional talks with representative African leaders. All one hopes is that he can remember some of the right telephone numbers. The positive measures he has so far announced amount to no more than a bustle round the country by his cabinet ministers "to explain the situation" at a hundred scheduled meetings. But this itself may be the start of his election campaign.

IF Sir Edgar has acted ineptly, the Zapu leaders have been fatuous. They should have told the youthful "terrorists" that the targets chosen—henhouses, a schoolgirls' hostel farm animals as well as European innovations like cattle diptanks and church tents—were hardly the places at which the government is most vulnerable. Nor is it the best way to gain the world's sympathy to throw petrol bombs into a roomful of sleeping children. Fortunately, despite a lesson offered in a war film on Rhodesian television, these bombs are so badly made that little damage has been done and no lives yet burnt up.

The crowning folly was the flight of Mr Nkomo, the Zapu president, to Tanganyika for the purpose (as was variously explained) of avoiding an "assassination plot" in Southern Rhodesia or of setting up a "government-in-exile"—an idea since discarded. Mr Nkomo's failure to return to restriction had an immediately demoralising effect on his followers and plans for a general strike collapsed. However, on Tuesday he redeemed his prestige as a leader and saved his party from a deep split by cheerfully striding on to a plane in Nairobi, bound for Salisbury and at least three

months' restriction. He left behind him the Reverend Ndabaningi Sithole, the national chairman of Zapu, to become the party's flying ambassador, commuting between the United Nations, Mr Butler's London office and his own committee headquarters in Dar-es-Salaam.

The situation abounds with follies. Sir Edgar claimed that his new constitution, designed to build a non-racial society, was "the greatest bulwark against communism that could be imagined." His new director of information, Mr Brent Hutton-Williams, with years in Malaya and Vietnam, stigmatised Zapu's manifesto as "neo-communist," although any outsider who had never been east of Suez would consider it a fresh-faced exposition of admirable democratic principles. The *Salisbury Citizen* insisted in its main news story that the petrol bombers have been "red-trained." There could hardly be a more effective campaign to endear communism to Africans in Southern Rhodesia.

The streets of Rhodesia are lined with road signs that give warning of pedestrian crossings and depict a well-heeled European man striding with head down purposefully into the oncoming traffic. The artist seems to have considerable political insight. Perhaps Miss Veronica Hall, while gazing down at the traffic during her week of meditation, worked herself up to telephoning a warning to Sir Edgar of the political accidents ahead.



The Second Vatican Council

FROM A SPECIAL CORRESPONDENT

NEXT Thursday 2,600 Roman Catholic bishops from all parts of the world, robed in white copes and mitres, will assemble in St Peter's in Rome to hear Pope John XXIII inaugurate the twenty-first General Council of the Roman Catholic Church. The first of these councils, held in Nicaea in 325, defended the doctrine of the divinity of Christ against the Arians; the last, in 1870 (which also took place in the Vatican), defined the dogma of papal infallibility. Most of the councils in between were convoked to answer a particular heretical challenge to the church. This year's Vatican council has no such purpose. It owes its origin to a personal inspiration of the Pope, who announced his decision to call a council shortly after his accession three years ago.

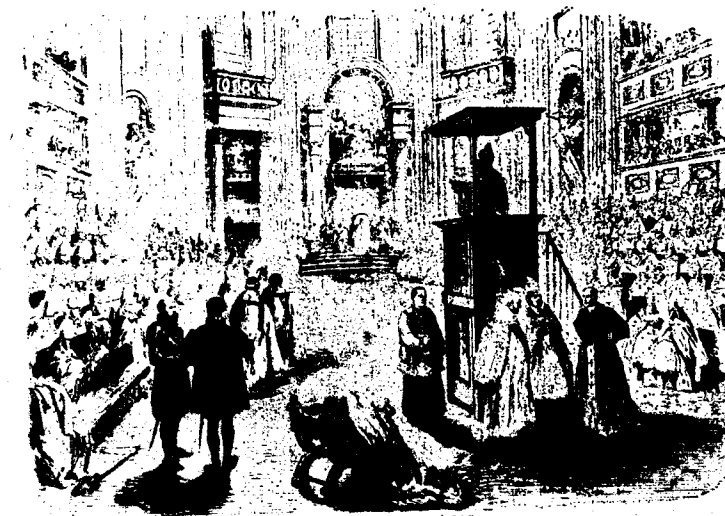
Although the ecumenical movement for union between the churches is rapidly accelerating, next week's Vatican council is not a meeting of rival churchmen, like the Council of Florence in 1439 which achieved a fleeting reunion between Latins and Greeks. Attendance is confined to those bishops in communion with the Holy See and other Roman Catholic prelates. No immediate reunion proposals can therefore be expected; but, as the Pope made clear in an encyclical letter of June 29, 1959, the council will have a vital part to play in reunion. A principal purpose is to renew the life of the Catholic church and to reform those aspects of it which repel non-Catholic Christians. The Vatican council of 1870 defined papal infallibility, but because of the fall of Rome never went on, as had been originally intended, to consider the role of the bishops in the church. The result was a bias towards centralism and an overshadowing of the collegiate nature of the church. The present council will probably reassert

the prerogatives of the bishops as against the centralising power of the Holy See—a move already symbolised in the Pope's refusal to enter St Peter's carried in the *sedes gestatoria*, but to join his brother bishops on foot. The Roman Curia itself, the governing body of the church, is also likely to be reformed and its domination by Italians brought to an end. The college of cardinals has already been internationalised.

Although leaders of other communions have not been invited to play a full part in the theological and disciplinary discussions of the council, they have been invited as observers. Anglicans, Evangelicals, Congregationalists and Lutherans are all sending representatives, and the World Council of Churches will be officially represented. At present, despite the strong desire of the Pope, the Orthodox churches have not appointed observers. This is rather curious, since the Patriarch of Constantinople is himself known to be as well-disposed to representation as is the Pope. The Moscow patriarchate is, however, strongly against participation, and pressure from this source has probably been applied to hold Constantinople in check. Looking after the observers will be the job of the secretariat for promoting Christian unity, which was set up as an official channel of communication between Catholics and non-Catholics by the present Pope, and which the council will probably turn into a permanent institution.

In Protestant churches the laity play a much bigger role than in the Catholic church, and the cause of reunion would undoubtedly be helped by any delegation of power to the Catholic laity. At one time there was hope of this, but reports about the preparatory commission on the laity, presided over by the conservative Cardinal Cento, are not encouraging. It is extraordinary that no Catholic layman has been asked to serve on any of the commissions preparing the work of the council. Another stumbling block to closer church relationships is the use of Latin in the liturgy of the Catholic church. Sweeping changes are likely, and it is confidently expected that the use of the vernacular in all church services, including the Mass, will be authorised. Cardinal Larraona, in charge of the liturgical commission, is thought to be reasonably open-minded.

Many requests have been received in Rome that there should be a reform of the system of placing books on the Index where they may not be read by Catholics under pain of mortal sin. The Index is unlikely to be formally abolished, but these representations have had their effect and it will probably be allowed to wither quietly away. In its place a less draconian system of "warnings" about books likely to endanger Catholic faith or morals is likely to be substituted. This reform of the Index will probably be part of a much wider reform of the whole of canon law which will be set in motion by the council. In particular, efforts will be made to reduce the scandalous delays in the hearing of matrimonial cases



The Vatican council of 1870

in the Vatican courts. At present the annulment of marriages is reserved to Rome, but there is strong pressure, principally from the German bishops, for this jurisdiction to be given to local ordinaries. The council will spend considerable time discussing the problems of the Catholic missions, especially in Africa. A proposal for the establishment of a permanent order of deacons (who would be free to marry) has been made, but has not found favour at the Vatican. But the proposal is by no means dead and is likely to cause keen controversy at the council. Bishops with experience of African work regard it as the only solution to the pastoral problems caused by the shortage of priests and the African dislike of celibacy.

The scope of the council will be very wide. To prepare the agenda the Vatican set up an elaborate organisation three years ago. Suggestions were invited from all the Catholic bishops and ten commissions were set up, on subjects ranging from theology to the missions, to prepare "schemata" for discussion. These in turn were considered by a central preparatory commission presided over personally by the Pope. The modified "schemata" will be discussed by the council, which will have three types of meeting. Meetings of all the bishops will take place in St Peter's, and will be either solemn or ordinary. The Pope will be present at solemn meetings when the bishops will vote on the council's final decrees. The decrees beginning with the time-honoured formula, "It seemed good to the Holy Spirit and to us," will be signed by all the bishops and then promulgated by the Pope. These decrees will be discussed at the ordinary meetings at which the Pope will not be present. At these sessions the "schemata" will be open to amendment. Discussion will be carried on in Latin and there will be no simultaneous translation, although this will probably be allowed in the meetings of sub-committees and other discussion groups.

As with all large congresses, many important decisions have already been made by the preparatory commission. More will effectively be taken in private conversations between different prelates. The bishops, however, having travelled to Rome at considerable inconvenience and expense, will be in no mood merely to rubber-stamp decisions presented to them; and in any case the Pope does not want a council of that kind.

Undoubtedly there will be a protracted struggle between those bishops who want a root and branch reform of the church and those who are content to see things jog along as they are. The liberal bishops are led by a strong group of northern cardinals, Cardinal Bea, Cardinal Döpfner of Munich, Cardinal Alfrink of Utrecht, Cardinal König of Vienna, Cardinal Lienart of Lille and Cardinal Leger of Montreal. The conservative bishops come mainly from Spain, Italy and South America, and they have found a spokesman in Cardinal Godfrey, who has the advantage of his northern origin and fluency in Latin to make him into the potential Manning of the council. Cardinal Spellman, who could also play the role, has been reduced to silence by his poor Latin. The liberal cardinals will press for a restatement of Catholic views on religious liberty and toleration which at present are extremely confused. They may also want the question of birth control taken up; others are anxious to by-pass this. Another storm centre will be the Catholic attitude to nuclear weapons, which the Vatican is most anxious not to discuss, but which individual bishops wish to be raised.

Whether the council will rank as a great conclave of the church it is yet too early to say. The omens, however, are good: the Pope's desire for basic reforms is genuine and strong; his goodwill to non-Catholic Christians is unbounded; and for the first time for many centuries a Roman Catholic council will be starting on its labours with the good wishes of the whole Christian world.

Yemen Makes History

FROM OUR MIDDLE EAST CORRESPONDENT

Aden

THE history of the Arabian peninsula is stained by innumerable dynastic wars and palace revolutions. Ambitious princes have shown themselves only too ready to murder their nearest and dearest to clear their own path to the throne. But the revolution in Yemen on September 27th is the first attempt that comes to mind to destroy the monarchy and replace it by a republic.

Events since the revolution have followed a predictable sequence. The hurried recognition of the revolutionary government by the United Arab Republic and the Soviet Union was preceded by the even earlier condemnation of the regicides by King Hussein of Jordan and King Saud of Saudi Arabia. The surviving members of the royal house led by Prince Hassan, have gathered at Jeddah, where they hope to obtain active support from King Saud. Friendly messages have been sent to the new government in Sanaa, Yemen's largest city and one of its two capitals, from Mr Khrushchev and from the dissident Saudi princes, Talal, Fawwaz and Badr, who recently chose exile in Egypt. The revolutionaries, meanwhile, have been making hasty improvisations to fill the gap caused by the disappearance of a dynasty that has ruled Yemen, on and off, for eleven centuries.

There is still scarcely a chink in the iron curtain barring Yemen from the outside world. Newspaper correspondents have been battering at the frontier without success. Even Mr Abdullah Asnag, the articulate young man who presides over Aden's Trades Union Congress and is a strong supporter of the Yemeni



Prince Hassan: counter-revolutionary leader?

revolution, admits to having had no contact whatever with Yemen since the army seized power. In these circumstances, both conservatives and nationalists in Aden are listening intently to broadcasts from Sanaa and Mecca, interpreting each pronouncement with large doses of wishful thinking. Sharif Hussein, the federal minister of the interior, whose skeikdom borders on Yemen, predicts victory for the counter-revolution as confidently as Mr Asnag dismisses any such possibility. Neutral sources in Taiz, the administrative capital of Yemen, report that all is quiet, the local authorities having congratulated the leaders of the revolution as hastily as, only one week earlier, they had welcomed Imam Mohammed Badr (who, according to the latest rumours, may not be dead after all) on his accession. It seems highly probable that the new government does indeed control the larger towns.

Conservative hopes rest on the unpredictable factor of "the tribes." Here, Sanaa has shown some signs of nervousness by a stream of mingled exhortations, pleas and threats. On the one hand, tribesmen are praised for having given the army their "loyal assistance"; on the other hand, they are sternly warned that their towns and villages will be destroyed with incendiary bombs and high explosives if they shelter adherents of the old regime or help them to escape across the frontier. This warning was addressed specifically to the tribesmen of Hajja, the area surrounding the most notorious of the Imamate's rock dungeons, which now houses, in calculated discomfort, the former jailers and their masters.

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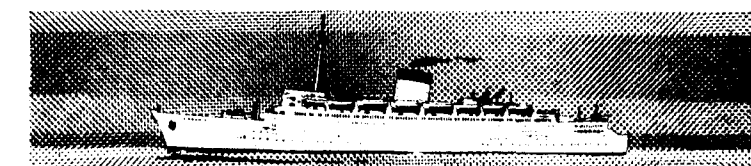
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WORLD WIDE - WORLD WISE

AMERICAN EXPRESS

Yemen is a country so deeply divided by nature and by man that the outcome of the present situation must remain doubtful for some time. In a mountainous country with bad communications, the exercise of central authority is always difficult. The best means of enforcing law has traditionally been to terrorise the populace—an art in which the revolutionary command may prove itself as adept as the late Imam Ahmad himself. In seizing power, the officers proclaimed themselves the spokesmen of the radical middle class and the "masses." But not all the middle class is radical to the extent of applauding the destruction of the Imamate, and the "masses" must include the wayward tribesmen, chronically suspicious of any central government—and of one another. The armed forces themselves are fragmented, and it is not known which units supported the coup with any enthusiasm. There is an "old" regular army and a "new" regular army, numbering between them from 3,000 to 4,000 men. There are also two royal bodyguards of about 500 men each, one of which owed allegiance to Imam Ahmad, the other to Imam Mohammed Badr. Colonel Abdullah Sallal, the leader of the revolution, was rashly appointed by Badr to command his bodyguard. Finally, there are the tribal levies which can muster a formidable number of more or less untrustworthy rifles, and whose bare feet are probably more serviceable than the armoured vehicles of the regular forces.

Much depends on the personalities and policies of the revolutionary government, and of these little is yet known. Colonel Sallal, who is already known to Yemeni nationalists as "Al Zaim" (the leader), is a heavy-browed man with black brooding eyes staring out of a humourless face; give him a toothy grin and he would be strangely like General Qasim of Iraq. He is known to have been trained in Iraq and to have been governor of the port of Hodeida (a post favoured by Imam Ahmad for officers of suspect loyalty) before his appointment to Badr's bodyguard a few months ago. Early reports that he was sentenced to several years' imprisonment for his alleged involvement in the 1955 attempt to overthrow the Imam have not yet been confirmed.

The deputy prime minister and minister of economy, Abdul Rahman Baidhani, is Cairo-born and was a frequent speaker on Cairo radio; he is now emerging as the chief spokesman for the Sanaa government. He has promised general elections "in due course" and has urged the government, meanwhile, to act as directed by the revolutionary command, thus suggesting that the present cabinet is provisional. The foreign minister, Muhsin al Aini, who has been in Cairo this week mobilising support for the new regime, was formerly the representative of the Aden TUC in Cairo. The minister of immigration is a former employee of the Aden dockyard who left Yemen at the age of five and has not been back since. At least four other ministers have been in exile for long periods. The army clearly had trouble to find the stuff of which ministers are made.

Fanfani Fulfils a Pledge

FROM OUR ROME CORRESPONDENT

SINCE the advent of the "opening to the left" last February with the formation of Signor Fanfani's centre-left government, the vitality of the experiment has hinged upon the successful handling of the nationalisation of the electric power industry. The government's pledge to nationalise, not at first fully admitted in parliament, was a condition for Socialist support, from outside, of the present centre-left administration. The pledge has been kept. The bill was approved by the Chamber on September 21st. It is now before a special committee in the Senate and will come up for debate at the end of the month. Its approval is a foregone conclusion. In the Chamber it obtained 404 votes to 74 (Christian Democrats, Social Democrats, Republicans, Socialists and Com-

munist in favour—Liberals, Monarchists and neo-fascists against). The bill was defended with vigour and conviction by the government, notably by the minister of industry, Signor Colombo, and by the Christian Democrat leaders (with the exception of Signor Scelba's opposition group) in a manner which has undoubtedly strengthened socialist and radical confidence in the left-centre experiment.

The Communists voted for the bill. The fact may be embarrassing, but it must be faced as part of the present pattern of Italian politics. The Communists cannot afford to be isolated. They will link themselves to the left-centre majority on all important reforms. This is Signor Togliatti's tactical response to the new challenge. In the long run it will tend to divide the Italian Communists from other Communist parties on either side of the iron curtain. (The Italian Communist party is already differentiated by its need to adopt a less hostile attitude towards the common market.)

The bill to nationalise electric power provoked a clean division in the Italian parliament between progressives and conservatives, cutting off a section of the Christian Democrat party. The Scelba minority spoke against the bill, and 37 of its members appear to have voted against it. This "opposition" group includes a fair sprinkling of notables, but none of them controls a really big electoral interest and their disapproval is unlikely to cause a split. The main body of the party is behind the centre-left experiment. The emergence of a generation bred in a new school of Catholic sociology lies behind this change. It is significant that the Christian Democrat group leader, Signor Zaccagnini, used the same arguments as the Communist speaker, Signor Giorgio Amendola, to defend the bill. Both said that the nationalisation of power was necessary to destroy the influence of the private monopolies. Signor Zaccagnini claimed that the Christian Democrats are not nationalists on principle, but that it had become imperative to break down a situation of "arrogant privilege." He made a personal allusion to a director of the Edison electric company.

This is, in fact, the real political motive for the nationalisation of power. The continued existence of a number of big financial-industrial "baronies" which have conditioned the Italian economy and shaped Italian politics is becoming an anachronism in this new period of growth; and the chance to strike at the most powerful of the "monopolies," the electricity ring, coincided with the newly appreciated need to give Italy a co-ordinated system of power supply which should provide cheaper electricity for the underdeveloped areas. It could be that the "baronies" are destined to decline in any case. It is certain that the charge of hostile emotion that they have generated has hit back at them. This is the reason why the only valid opposition argument against the bill—that it will hit the small investor—has been relatively ineffective. Whether or no the small investor suffers—a rather clumsy attempt to favour him was the only important amendment passed by the Chamber—everyone feels that it is the big financial interests that are really disturbed by this bill.

Dismay in Hongkong

(On Tuesday the British negotiators in Brussels tabled proposals for dealing with the special problems of Hongkong's exports to Europe. Our correspondent in Hongkong reports on the colony's anxieties about the common market.)

WHATEVER Britain's final terms for the common market, Hongkong will never be quite the same again. In what passes amusingly for public opinion and democratic disputation in Hongkong, there are swelling murmurs that the business community should legally reject the ugly word "colony" in future identification of export products and in general commercial references to this lonely capitalist outpost. Elsewhere, such muttering would

be equivalent to revolutionary gunfire at the barricades.

The sturdy British *taipans*, loyal to an umbrella, are affronted by having to wait in line while Malaya, Pakistan, India and Ceylon take protocol priority in Whitehall's consideration of family living claims. The emancipated Chinese millionaires, grateful for knight-hood handouts and willing to wear boy scout shorts on the late Lord Baden-Powell's birthday, have begun to brood over wage cuts. The *South China Morning Post* has editorialised, more in sorrow than in anger, "Is Hongkong's reward for enforcing no restrictions on imports from Europe, and for developing its entire industrial nexus without international aid, to be its cutting off from its one secure and substantial substitute for the domestic market the colony itself lacks—that is, the UK market?"

There is silent agreement between *taipans* and public servants that Mr Macmillan is prepared to let Hongkong down. Sober judges calculate that Britain's entry into the common market on prospective terms will mean a loss of 20 per cent in Hongkong's export trade. The hard cash loss is estimated to be a probable £17 million a year. There is resentment at Whitehall's tendency to bracket Hongkong's economy with the production-and-trade budgets of India, Pakistan and Ceylon (ahead in the bargaining queue at Brussels), to equate Hongkong with primary-producing Australia and New Zealand and to pretend that widening European markets will compensate for the withdrawal from Hongkong of Commonwealth preferences in Britain.

Hongkong, which in all seriousness can never be accused of self-pity and which is accustomed to politico-commercial double-dealing in capitalist democracies, has had more than its fair share of disappointment and difficulty in the past year. The administration, under the governorship of Sir Robert Black, whose astuteness and energy surpass the record of his legendary predecessor, the perennial Sir Alexander Grantham, has ridden the storm of Washington's import barriers, endured Lancashire whimpering, imposed urbane controls on the buccaneering textile elements which clouded its reputation in the United States this year, and faced up to an explosive exodus of refugees from China. The colony even preserved its equanimity when American interests rebuked it for desperately damming the flood of refugees, which would have submerged its rising living standards, and offered it handouts of rice while rejecting its vital but minuscule exports.

Hongkong's living standards have been rising steadily, despite its suffocating Oriental population increase. Of its 3,250,000 inhabitants (20 per cent larger than New Zealand's population in an area of less than 400 square miles), 100,000 still live on the rooftops and there are horrible disparities between the hanging gardens on The Peak and the squatters' kerosene-tin hovels in Kennedytown. Water is rationed to four hours a day. Local charity is too often organised propaganda. But labour wages have increased on the average by 50 per cent in the past five years, and the colony continues to pay its way by hard work, receiving and expecting no subsidies or foreign aid and asking only for open world markets for a relative trickle of competitive exports, while millions of "liberated" Chinese, crouched at its tiny border, envy the hardships of its workers.

In addition to the combined threat of common market exclusion and the vagaries of the American textile market, Hongkong's vulnerable economy is confronted with other and inescapable local problems. The postwar "baby boom" will result in a search for jobs by 30,000 unskilled workers in the next three years. Inflated rents are prejudicing heroic attempts to keep prices low enough to hold the tourist traffic. The incessant flow of refugees from the workers' utopia in China can be only partly checked. Basic public expenditure for housing, education, welfare and health, estimated at £30 million a year, is prejudiced. "Hot" money from overseas Chinese will dry up as soon as the quick return of capital in four or five years can no longer be guaranteed.

In default of adequate safeguards against common market losses,

Hongkong, on existing and estimated prospects, will survive only by cutting wages, depressing living standards and still accepting mounting unemployment. The political repercussions will be disastrous in an Asian world in which communists continue to gain ground despite mistakes and miseries in China.

Maybe the British treatment of Hongkong's "special case," which is now apparently ignored, will ultimately prove to have been only a test of patience and an exercise in hope deferred. But at the moment those qualities have worn thin in Hongkong.

Spanish Sindicatos in Decline

FROM OUR SPECIAL CORRESPONDENT

THE losers in this year's industrial conflicts in Spain were not the employers—who were able to pass on the cost of most wage increases to their clients—but the *Sindicatos*, the official (and only) trade unions to which both employers and workers must pay dues. In every major industrial centre the *Sindicatos* were bypassed as employers and even provincial governors negotiated directly with representatives of the strikers. This happened again in Oviedo on September 4th; and at a cabinet meeting in San Sebastian four days later, General Franco and his ministers discussed the decline of the syndical organisation.

On September 24th the government issued a decree which, while paying tribute in passing to the "extraordinary vitality and capacity for change" of the official unions, rubbed salt into their wounds. Strikes are still, in principle, forbidden; but it is recognised that "in a fast-developing economy" disputes between workers and employers are liable to occur. Until recently, industrial disagreements were considered the domestic affair of the union concerned, and if the union could not contain or smother them the police took over. Now labour inspectors are authorised to mediate in "collective conflicts" at any time, consulting impartially with "both sides." The wording of the decree implies that the official syndical organisation may be bypassed whenever workers and employers wish. If local mediation fails, the dispute will be referred to a formal arbitration tribunal; and only if the tribunal is disregarded will the government intervene.

Some *Sindicato* officials, close to the rank and file, would like to see their movement exploit this procedure and emerge as a genuine spokesman for the workers. Their seniors—who are appointed by the government—declare firmly that in doing so the syndical organisation would betray its mission, which is to reconcile capital and labour, and incidentally put them out of a job. The chief beneficiary of the decree is likely to be HOAC, the leftward-leaning Catholic workers' brotherhood which Cardinal Pla y Deniel, disillusioned by the regime he once so ardently championed, would like to see evolve into a Catholic trade union movement. HOAC played a leading part in the Asturian and Basque strikes last spring, and is supported in some areas by socialists and communists, whose own organisations are banned.

Pueblo, a Madrid daily published by the syndical organisation, recently accused the organisers of HOAC of resorting to "the most rancid kind of demagoguery" in order to subvert Spain's unity and internal peace; it gave a warning that they would not be allowed to continue their agitation with impunity. Two church weeklies which are exempt from political censorship—*Ecclesia*, read chiefly by the clergy, and *Vida Nueva*, which is aimed at the lower middle class—rejected this "threat" with contempt. *Ecclesia* reminded *Pueblo* that "as a paper which professes the Catholic faith" (as all Spanish publications must) it had no right to attack organisations such as HOAC which exist to propagate the social doctrines of the church. Conversation with HOAC militants leaves no doubt that they intend to intensify their activities. *Pueblo's* attack, they say, will win them recruits.

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BOOKS

Jehovah's Witness

John Anderson: Viscount Waverley

By John Wheeler-Bennett.

Macmillan. 445 pages. 45s.

To start life as a mathematical scientist and to end it as chairman of Covent Garden Opera—here, surely, is a remarkable career, calculated to give fresh heart to all those who deplore the divorce between the two cultures and condemn the increasingly narrow specialisation of our age. How was it done? In this humane and perceptive study of Lord Waverley, Sir John Wheeler-Bennett gives us an initial clue near the beginning of his story, when he describes his subject as “interested more in the art of administering than in the subjects administered.” And, again, in his shrewd analysis of Waverley’s achievement as an outstanding member of the War Cabinet and chairman of the Lord President’s Committee which administered the home front, he comments on the lack of any feeling of excitement or “involvement” which characterised his approach to all the problems, however diverse, that were thrust upon him. “Here we all are—Jehovah’s witnesses,” Mr Attlee once remarked to a cabinet committee that was awaiting its august chairman; and the affectionate nickname catches all the Olympian detachment, the magisterial impartiality, which clothed Waverley as he entered a room. To a generation that believes passionately in being committed, if only it can find something worth being committed to, it all sounds curiously old-fashioned.

But it is not old-fashioned at all. Long ago Aristotle discerned that the speculative reason, which had unduly monopolised the attention of his predecessors, must be matched and complemented by the practical reason. There may, or may not, be an ideal realm of eternal Forms, untroubled in their perfection and uncontaminated by gross Matter. (“In matters of religion and worship,” Sir John Wheeler-Bennett tells us, Waverley “displayed a certain ambivalence of attitude”). But there is most certainly a world of practical affairs, clogged with complexity and ambiguous with a multiplicity of possible choice. It is in this world that the practical reason, endowed with a combination of moral and intellectual attributes which Aristotle was at pains to describe in some detail, comes into its own; and it is in this world that Waverley, in whom those attributes cohered in a unique degree, reigned unchallenged. There was no problem, he believed, to which the human mind could not find the solution, if

only it applied itself, calmly and dispassionately, to the facts. Considered in their right order and accorded the relative values due to them, they would guide one unfailingly to the correct conclusion. Lord Robbins, writing as a member of a committee over which Waverley presided, summed it up in a single sentence: “All was orderly, well-informed, sympathetic and just.” Aristotle could not have asked for more; and he would have been particularly gratified, one suspects, by the critical interest which Waverley displayed throughout his life in the basic principles of the machinery of government and the organisation of public business, regardless of its content.

Yet the enigma remains; and to describe the man is only to re-state the problem. What was the mainspring of this sustained but apparently indifferent endeavour, this lifetime of intensive but passionless intellectual effort? What, in the modern idiom, made the man tick? Let another great public servant try to supply the answer. In the Rede Lecture of 1950 Lord Bridges, seeking to define the essence of the public servant’s attitude towards his job, declared that it is impossible for him

not to see the day’s task in perspective—first as a contribution, however small, to a particular branch of work which has probably gone on for a long time already and will continue for years after he has gone; second, as part of a much broader context, namely the continued well-being of the State.

It is this indefinable sense of historical continuity that gives purpose and direction to administration at its highest levels; and in a country that has no written constitution it is uniquely important that public servants should be endowed with this capacity to see things in perspective, to be mindful of the past while building for the future and to be not unduly distracted by the clamant present. It is essentially a capacity of judgment, an ability to observe proportion between incommensurables, a faculty of weighing imponderables and striking an empirical balance between them. In the last resort this faculty defies analysis; and the motives that prompt a man like Waverley to devote his life to its exercise in the service of the state, without regard to personal reward or advancement, remain an enigma to the end. But possibly the fault is ours; possibly we are so accustomed to measuring remuneration in mercenary terms that we forget that some forms of service are their own satisfaction and that a sense of public duty needs no further recompense than the conviction that it has contributed a little more, in its generation, to “the continued

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well-being of the State.” One suspects that, if Waverley had been confronted with the question, this would have been his answer. It is perhaps unlikely that so self-assured a man ever asked himself the question or consciously thought of himself as the inheritor of a tradition of administrative practice that already had a long, tough and pragmatic history of its own behind it before he ever turned his hand to it. But the shrewd and resolute competence with which he dealt impartially with the menacing problems of Ireland, India and the most perilous of all this country’s wars was in the direct line from the great William Cecil, of whom a contemporary wrote that “Of all men of business, he was most a genius.” Like Cecil, Waverley could not foresee the future; and he had perhaps more reason than Cecil to regard it with misgiving. But he trusted in it, as the earlier Elizabethan had trusted; and some deep instinct within him believed that it was worth working for. Uncommitted, he was nevertheless deeply engaged; and not the least of the tributes that might justly be paid to Sir John Wheeler-Bennett would be to prescribe his book as compulsory reading for all angry young men.

Prisoners and Internees

Napoleon and His British Captives

By Michael Lewis.

Allen & Unwin. 317 pages. 42s.

THE late Sir Charles Oman, so it used to be alleged, was able to list from his capacious memory the names of those unfortunate English people detained in France after the rupture of the Peace of Amiens in 1803. But this impressive feat led to no very important conclusion. There they were and there they mostly stayed. Professor Lewis has taken these unpromising facts, added to them substantially by detailed research among subsequent prisoners of war in France, and presented an interesting and convincing picture of a hitherto neglected aspect of the Napoleonic war with England. Napoleon’s treatment of prisoners of war and his creation of the idea of what would now be called civilian internees together illustrate, as Mr Lewis shows, the uncivilised and retrogressive side of the political ideas released by the French Revolution. Here for the first time the happiness and well-being of the individual in time of war was utterly subordinated to the interests of the state and, in this particular case, to the whims of its despotic ruler. The eighteenth century’s ideas of parole and exchange among combatants and of free passage among non-combatants all died at the hands of Napoleon. The British authorities consistently imposed the old standards of behaviour on their own officers through courts of honour, but without response from their great enemy, and in the long run this was a struggle which England lost.

It is not, however, primarily as an illustration of political ideas in action that Mr

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Lewis has written this book. He gives the greater part of his space to detailed descriptions, enlivened with splendid illustrations, of the conditions of the prisoners of war in France and of their bravery and resource in enduring them and, on occasions, evading them. The result is a patchwork of tales of different fortresses and different men, skilfully stitched together, each interesting in itself and as part of the whole. No doubt it would be possible, in keeping with current historical jargon, to suggest that the stories of these brave men give “depth” to our knowledge of Napoleonic times. But this is not so; in the study of war it is the achievements of those who are not captured which have historical significance.

Professor Lewis does not, for one moment, attempt to sell his wares under any boastful clap-net of this kind. He follows a historical by-way for its own sake and in consequence his work is persuasive. He is interested and so he is interesting; he is modest and so convincing. Of course, as one who has given his life to the Navy he has his prejudices. Soldiers might not agree with his version of their part in the war; Maida Vale is a less fashionable district than Trafalgar Square, but the victories they celebrate were separated by less than twelve months. There are times when, as he himself admits, he exaggerates the influence of officers. And there are occasional slips in detail: the Peace of Amiens was signed in March 1802, not October 1801, which was the preliminary treaty of London; the French Directory was not in office in February 1795. Nevertheless, taken as a whole, it is a delightful book, informative, readable and exciting.

Last Shot?

The Memoirs of Field-Marshal Earl Alexander of Tunis 1940-1945

Edited by John North.

Cassell. 223 pages. 25s.

FIELD-MARSHAL ALEXANDER’S memoirs come, as it were, in a silence when everyone else has ceased fire—everyone,

that is, who held high command in the second world war and wished to put on permanent record their own parts in the great drama. This book is a work of collaboration between the Field-Marshal and Major John North, the military historian. Style, clarity and readability the memoirs therefore have; yet, as with Lord Alanbrooke and Sir Arthur Bryant, the reader can never be sure where the contributions of soldier and historian begin and end.

The book is not a strategical study, but a lightweight account of the kind perhaps too much favoured by British and American commanders. The construction is curious, for it opens with the Desert campaign of 1942-43, and then returns to Dunkirk before jumping forward to Burma and Italy; and in each part there is a separate map section that repeats in greater detail events already covered by the general narrative.

On the 1940 campaign, Lord Alexander, who commanded First Division, has no general comments; but he does however pay a strong tribute to Lord Gort:

I am of the opinion that our C-in-C, Lord Gort, who had the overall responsibility, has not received sufficient recognition for his conduct of the whole withdrawal operation.

Lord Alexander arrived to take command in Burma in March, 1942, when the Japanese had already got between the two divisions of the Burma Army. Rangoon was threatened and disaster only too probable. There was nothing for himself and Slim (corps commander in the field) to do but retreat to India, while trying both to preserve the army from disintegration and delay the Japanese until the monsoon should make further operations impossible. They narrowly succeeded in both objects. Lord Alexander is candid about the British failure:

The evacuation of Burma was a complete military defeat—and we had been beaten in a straightforward fight by an enemy who was not greatly superior in numbers but whose troops had been trained in, and equipped for, jungle warfare.

Field-Marshal Alexander’s account of the final phase of the Desert campaign, from August, 1942, to 13th May, 1943, shows him defending his subordinate, General

(now Lord) Montgomery, against criticisms of his handling of Eighth Army at the Battles of Alam Halfa and Second Alamein and in the long pursuit to Tunisia. He also enters the controversy over General (now Field-Marshal) Auchinleck’s plans in August, 1942, when he was superseded by Alexander as commander-in-chief Middle East. Here there seems an absolute confrontation of opinions and memories between Auchinleck and his supporters and Alexander, Montgomery and theirs; the reader can only read all the accounts and make up his own mind.

Since Italy proved to be not a soft underbelly but a bitter two-year campaign against skilled troops in superb defensive ground under a first-rate soldier (Kesselring), was the decision to invade a wise one? Lord Alexander correctly points out the two decisive justifications for the Italian campaign: first a negative one, that the Western allies could not have left all their forces inactive from the time Sicily fell (August, 1944), while the Russians fought Germany single-handed; and, secondly, that if the Italian campaign had been pressed to its final objectives, Austria and the southern Balkans might have fallen to the West rather than to the communists. The strongest words in a mild book are reserved for the American insistence on stripping the army in Italy for the “strategically useless” landing in southern France, which spoiled this splendid hope.

As well as giving appraisals of his various colleagues and superiors, Lord Alexander sums up his view of the qualities of the British and the German soldier. On the British:

They are very patient and tough in defence. Yet though the British will go into the attack with great bravery and tenacity, as a whole they are not quick to exploit success or to react to a sudden emergency.

On the Germans:

I cannot conceal my regard for their ability as fighting men. . . . I think it very remarkable that they fought their last battles just as toughly and bravely as when they were winning their first.

Curiously enough it is while discussing the

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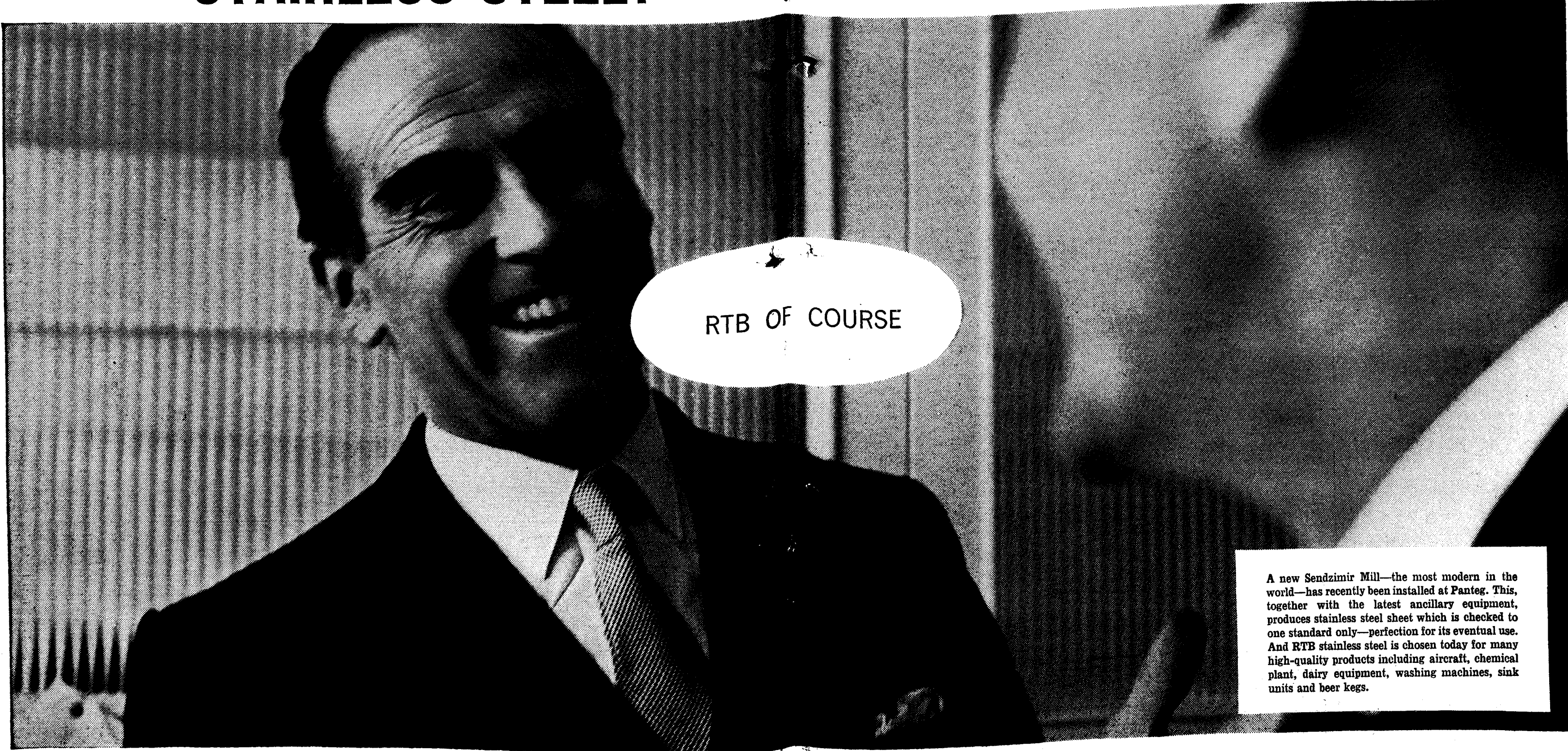
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BOOKS

Germans' martial qualities that Lord Alexander tells us more about himself and why he became a soldier than anywhere else in his book:

I am quite willing to admit that I myself share this curious attraction for the strength and elegance of beautifully trained and equipped formations, with all the art and subtlety of their movements in action against an enemy.

Prewar Nkrumahism

The Great Bust: The Depression of the Thirties.

By J. T. Lang.

Angus and Robertson. 418 pages. 38s. 6d.

THIRTY years ago the author of this book, as premier of New South Wales, occupied a place in respectable British thinking not unlike that occupied today by Dr Nkrumah: he represented anti-British ex-colonial nationalism, destructive of economic stability and financial integrity; he was the embodiment of radical doctrines which, while not necessarily communist in themselves, could only benefit the communists in the long run. Mr Lang has outlived all his notable contemporaries in Britain and Australia, but the years have not changed him. He is still convinced that the respectable politicians and economists were wrong in 1932. His followers used to shout "Lang is Right"; that has always been his guiding principle, and it was Langism, not socialism, communism or even nationalism, that he stood for. The parallel with Dr Nkrumah is remarkably close. Mr Lang believed that, to run Australia properly, it was necessary to defeat the efforts of Downing Street and the City to keep the country in bondage. What he said in 1930 is almost what Dr Nkrumah says today about "neo-colonialism." The reasoning (or lack of it) is the same; the enemy is the same; the remedy is the same—reliance on an all-wise leader who will cultivate indigenous resources and make the country truly independent.

What did these two men, the Australian Catholic estate agent and the African show-boy Messiah, have in common? Is there anything but vulgarity and special pleading in what they have to say? Both had the experience of a country financed in its stages of initial development by British capital, accustomed to having that capital available for public works and private investment, and dependent upon the British market for expanding trade. When the capital and the trade declined or failed to increase, because of circumstances beyond British control or secular changes in the world economy, the local nationalist's reaction was to blame Britain, to invent a theory of conspiratorial opposition to himself, and to retaliate by seeking help elsewhere. (Mr Lang turned to New York in the 1920s, causing almost as much concern as Dr Nkrumah's resort to Moscow.) Of course, the parallel is not exact. Dr Nkrumah has never had Mr Lang's obsession with finance. Mr Lang

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never had a whole country to run, and never had the chance to exercise foreign policy. Even if he had, the times would not have allowed him to operate on a world stage so extensive and so favourable to the aims of a small and insistent country as the one Dr Nkrumah uses. Moreover, Mr Lang did not have the colour question to exploit; nevertheless, some of his taunts about English snobbery could hardly be surpassed by the most vitriolic African newspaper. He felt the same about Governors. In general, the attitudes of mind of the two men are startlingly close; they represent a genuine indigenous reaction to the inability of international investment to provide all that small, ambitious, touchy countries want in order to develop their resources. The nationalist demagogue is a natural growth in circumstances of economic scarcity and unwarranted expectation.

Mr Lang's book, the second in a series of reminiscences, is about Australian politics during his period of notoriety. It is highly selective in its use of facts. It does not conceal the ruthlessness and egotism that have always been his prime characteristics. It is unfair but entertaining; its significance is of more than Australian importance.

Hadrian to Constantine

Caesars and Saints

By Stewart Perowne.

Hodder and Stoughton. 191 pages. 25s.

THE subject of this succinct study of some 200 pages is the history of the Roman Empire, political and spiritual, between the death of Hadrian and the rise of Constantine the Great. Its main purpose is to explain "how a pagan monarchy centred in Rome became transmuted into a Christian theocracy directed from Constantinople," and that in the space of a century and a half. The century and a half was a pregnant difficult period; but in a number of short, most readable chapters Mr Perowne sketches lucidly the golden age of the Antonines, the less golden but still notable ages of the Syrian and Illyrian Emperors interspersed with the brief reigns of a number of "transient and embarrassed phantoms" and, above all, the gradual but inevitable advance of Christianity towards ultimate official recognition.

Briefly but clearly the author tells us how Christianity triumphed in the end not only over the more earthy forms of paganism with their incontinent gods and goddesses, their sorceries and *tabus* such as still darken the lives of the more isolated Melanesian tribes in the Pacific, but also over lofty philosophies such as the Persian Mithraism, which at one moment all but conquered the minds of the ancient world. He deals well with what is really the theme of the book, the waning power of pagan Imperial Rome and the waxing power of the new faith, though we are left wondering how a ruler of the quality of Septimius Severus could

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have borne for so long the "arrogant ascendancy" of a Plautianus.

Mr Perowne is lucid on the early heresies within Christianity; equally to the point is his account of how a Phoenician from North Africa and his Syrian consort, both of them pure Semites, proved both that the supreme dignity in the Roman Empire was no longer the exclusive perquisite of men of European stock and that its power-house could function as easily in Asia or Africa as in Rome. Nascent Christianity and the Roman Empire of this period had at least internationalism in common: in the age dealt with here Rome was ruled by men of Punic race and speech from Libya, Arabs from the Hauran; Diocletian was a Slav from the Dalmatian coast; Constantine was born at Nish in Serbia of a Slav mother.

This is a stimulating little volume, which raises many fascinating points; it quickens the wish for more and sends the reader with renewed zest back to his Gibbon. The writing is so brisk, the comparisons so apt, that one's interest in a period of history always complex and often obscure is sustained throughout. "Caesars and Saints" is an example to be followed of that most useful type of book, the *œuvre de vulgarisation*.

More than a passing word of commendation is due to the illustrations. Both their number and their quality make them an essential complement to the text: the busts of the leading characters have been chosen not as conventional representations but as real portraits; the accompanying captions are both historically and artistically enlightening. A pleasant touch is the now all but extinct Arabian oryx on the coin of the first Arab sheikh to become a Roman emperor.

Going Back

Return to Burma

By Bernard Fergusson

Collins. 256 pages. 25s.

BURMA and Assam were notoriously harsh battlegrounds. The jungle, in Spencer Chapman's famous phrase, may have been neutral, but it created its own fears and the Japanese, it has been said, feared a posting to Burma as much as the British. Some men came to terms with the jungle and conquered it and themselves; Brigadier Fergusson, a soldier of high ability and promise, was certainly one of them. For him and for others more faint-hearted Burma still tugs at the affections: the harshness was always mellowed by beauty—the green of the land after rain, the splendour of the sky at nightfall and the friendly, self-sufficient independence of Burma's peoples.

Brigadier Fergusson has done what many want to do—to go back, not simply to recapture the excitements and terrors of the past, but to see the land (specifically, the area over which the two Chindit expeditions fought), to pay tribute to the soldiers of

BOOKS

twenty years ago and to thank those who, at the gravest danger to themselves, helped them. Skill in words and skill at arms is a rare combination, and from the moment he wrote "Beyond the Chindwin" and "The Wild Green Earth" Brigadier Fergusson has displayed it in full measure. He has done so again in an admirable mixture of description and nostalgia; and if an occasional note of patronage creeps in, one can attribute it to his background and the military company he has kept.

Mass Murder

St Bartholomew's Night: The Massacre of St Bartholomew

By Philippe Erlanger.

Weidenfeld and Nicolson. 298 pages. 32s.

IN an age of horror comics, a book giving a detailed account of a massacre illustrated by what is in effect a contemporary strip-cartoon (complete with Coligny in mid-air as he was thrown out of a window) is in tune with the times, but only justified if the causes of such an event are analysed. The most interesting section of M. Erlanger's book is therefore the first, in which he examines the motives and fears that lay behind the decision by the French court to murder all the Huguenots in Paris in 1572.

The massacre of St Bartholomew was the result of the tension between Catholic and Huguenot, the feud between Guise and Coligny, and the pressure of a foreign policy divided between the support of Catholicism and opposition to Spain. M. Erlanger is more at home discussing the internal affairs of France than in his analysis of the international situation. His portraits of the principal characters, especially of Catherine de Medici, are clear and convincing; he is less happy when trying to evaluate the effect of foreign policy. He seems unable to detach himself from the aura of "La Gloire." Francis I is justified in loosing the Turks into Europe, because this was Renaissance *realpolitik*; Coligny was a traitor because he was prepared to cede French territory to the English (in this connection the author misquotes seriously on page 97 Burghley's dispatch over the proposed control of Calais as part of the marriage negotiations of Alençon and Elizabeth); Elizabeth betrayed Coligny, and was therefore largely responsible for the massacre.

Nothing in international politics was so simple, even in the sixteenth century. England was not in a position to risk a European war in 1570. Elizabeth and Burghley were as reluctant to see France dominant in the Low Countries as they were to see Spain dominant in Europe. The dispatches of Burghley and Walsingham show that the most Coligny requested was that Elizabeth should agree to support an attack on Spain if she was asked to do so by France. In fact she was never asked. So although her procrastination may have

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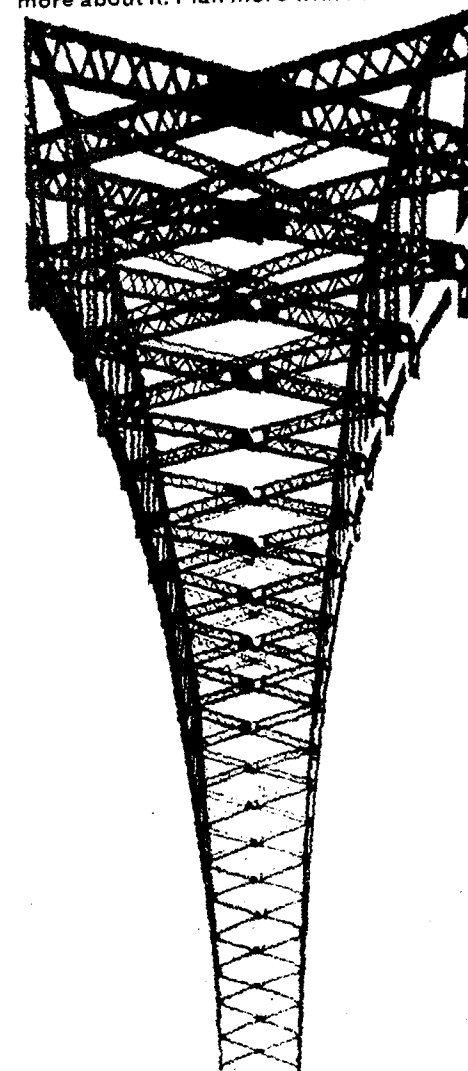
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BOOKS

helped to bring about the abandonment of
Coligny's policy, it was not this which made
the murder of 2,000 people inevitable.

Some of the underlying causes are
apparent from M. Erlanger's description.
Unlike England, where the process of
attainder and the law of treason enabled
political vendettas to be carried out under
a cloak of legality, the French made use of
assassination. Whereas the one method in-
directly strengthened the existing legal
system, the other gravely weakened it. For
although under the Tudors a jury could be
imprisoned for a verdict against the crown,
the fact that it had given such a verdict is
of great significance. Mary Queen of Scots
was not murdered, in spite of Elizabeth's
secret request, but publicly brought to trial.

The terrifying results of a political system
where murder was a normal political pro-
cedure are clearly shown in this book. For
the hatred of the Duc de Guise against
Coligny stemmed from the murder of his
father, reputedly by the Huguenots; and
the massacre itself was organised by
Catherine de Medici in a fit of panic after
an attempt by her hired assassin to shoot
Coligny had failed. M. Erlanger's account
is worth reading for this alone. As an
historical analysis it is not so valuable, for
the real position of both England and Spain
eludes him.

Ramsay MacHero?

Britain's Locust Years, 1918-1940

By William McElwee.

Faber. 292 pages. 25s.

MR MCELWEE'S interesting and readable
book is written partly in defiance of
the received view of British history between
the wars and partly in accordance with it.
He sticks strictly to political history, omit-
ting literature, art, learning and entertain-
ment, and dealing with religious, social and
economic questions only where they
impinge directly on politics. His brisk,
knowledgeable and orderly treatment of
foreign affairs follows the lines that by now
have become painfully familiar: how Bri-
tain fell out with the French and the Ameri-
cans after we had beaten the Germans; dis-
armed too far for safety; and, over-fearful
of Russia while Russia was still weak, did
not appreciate fascism and nazism at their
true appalling worth until it was almost too
late. Here he runs on the usual historical
tramlines; avoiding alike, for example, the
Baldwin family's attempt to have us believe
that Stanley Baldwin was interested in
foreigners, and the wider eccentricities of
the Taylorian school of diplomatic his-
torians, who seem almost to excuse Hitler
by suggesting that the war of 1939 origi-
nated from a single mistake in timing.

The author does little to show the con-
nections between home and foreign politics:
in discussing the former he strikes off on
lines of his own. He praises Neville
Chamberlain and John Wheatley for their
housing Acts, and condemns the leaders of

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the general strike for lack of forethought,
bad logic and dishonesty; others have done
as much. But no one else has come so far
into the open with the view that Baldwin
and Ramsay MacDonald were the truly
heroic figures of this uninspired period;
and even that "the unity, stamina, and
moral courage of the nation which stood
firm behind Churchill in 1940 were largely
their creation". In Mr McElwee's view
Baldwin was as sage and as steady a leader
as the Conservative party of his day could
hope to have, while MacDonald had "devo-
ted his life to building up the Labour Party
to take its place as the mature and respon-
sible rival to Conservatism," a place it
failed to take in the crisis of 1931. It is
true that distance is at last beginning to
lend some enchantment to the historian's
view of what MacDonald's aims and objects
were, and the book under review is useful as
a corrective to much malicious falsehood.
But its main conclusions would inspire a
good deal more confidence if it were not so
spattered with avoidable slips. Let one
instance illustrate many. He gets all his
figures of party strengths in parliament from
Whitaker's Almanack. Another section of
that not very recondite source, let alone the
sort of material he might be expected to
have examined, would have told him that
he put the date when MacDonald finally
left office two years too early.

OTHER BOOKS

CHAUCER: *The Knight's Tale and The Clerk's
Tale*. By E. Salter. 71 pages.

MARLOWE: *Dr Faustus*. By J. D. Brockbank.
62 pages.

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Brown. 64 pages. (Studies in English Litera-
ture.) Arnold. 6s. each.

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LETTERS

The Common Market

SIR—Australian attitudes towards the com-
mon market issue are as varied as British.
In the last twelve months, I have addressed
a number of Australian, as well as American,
audiences on the subject. The most
striking feature of the Australian reaction
is the quick grasp of two essentials of the
situation, first that Australian exporting
interests are going to be adversely affected,
and secondly that the issue is a wide politi-
cal one, in which this country has to respect
the views of its allies, the United States and
the United Kingdom.

While all Australians naturally expect
their representatives to work hard to mini-
mise the losses to their trade, and feel
anxiety on particular items, none expects
the issue to be settled on what Sir Oliver
Franks has called the "bargain basement"
level. It is most refreshing in discussing
these issues in both urban and agricultural
areas to find a considerable breadth of view;
anything that reduces the likelihood of world
war, and is constructive of world trade,
appeals to the public here. Moreover, the
point is widely grasped that the preference
system had a short lease of useful life in
front of it in any case, and that no "expand-
ing Commonwealth" alternative could be
offered, since this country is determined
both to industrialise and to seek new
markets.

Australians are pragmatists, and they are
used to solving practical problems. They
expect a fair deal under the new set of rules,
but if I judge their opinions correctly, they
understand the reasons for the change much
better than some of your correspondents,
and they are prepared to give it a go.—

Yours faithfully,

IAN BOWEN

*Mt Claremont,
Western Australia*

SIR—Although we in New Zealand cannot,
of course, veto Britain's entry into the
European Economic Community I cannot
but express a degree of sympathy with the
sentiments expressed in the letter by Mr
Douglas Jay in your issue of September
22nd. Your paper has in the past been an
excellent guide to all aspects of difficult
economic questions. It is with a degree of
disappointment that I have watched your
paper belittling—if mentioning at all—the
drawbacks which Britain's entry would pre-
sent not only to Commonwealth countries
like New Zealand, but to the consumers of
Britain. You may have given fair treatment
to the threat which Britain's entry into EEC
would represent to our exports of lamb

(97.1 per cent went to Britain in 1959/60),
of mutton (60.9 per cent went to Britain),
of other meat products (82.6 per cent went
to Britain) and of butter (95.3 per cent) and
cheese (89.1 per cent) but I have never seen
the fact emphasised that New Zealand's
exports to Britain are vital not only for this
country but also for a low cost of living in
your country. In 1960 33 per cent of total
British consumption of butter and 36 per
cent of imports was of New Zealand origin.
The percentages for cheese were 32 and 58
and for mutton and lamb 53 and 82.

If the cost of living of British workers
rises, as it has to if our imports are
restricted, the British competitive position
will deteriorate. And what Britain may
gain by tariff reductions in the European
market it may, at least partly, lose by
increased cost of production at home. In
other words by hurting the Commonwealth,
United Kingdom producers do not only
hurt us, they hurt themselves as well.

This is only one of the many points
which one would have liked to have seen
discussed frankly in your columns; one
cannot but agree with Sir Ralph Hawtrey
that "for Britain, entry into the common
market means discrimination against the
Commonwealth, an unfriendly act which
cannot be disguised."—Yours faithfully,
Christchurch, NZ W. ROSENBERG

SIR—You say with literal truth (September
15th) that there are no important continen-
tal supplies of lamb so that Britain should
not have much difficulty in securing a con-
cession from the EEC for imports of New
Zealand lamb. This is misleading since
Ireland is a substantial producer of lamb
and is looking forward to the greater export
opportunity for lamb which common
market membership holds out.—Yours
faithfully, A. PAKENHAM-WALSH
Trinity College, Dublin

SIR—Your analysis of the common market
opinion poll is not very closely reasoned.
You point out that the 52.2 per cent
shown in a recent poll as "against" are
significantly old, poor and uneducated, and
deduce from this that it is the poor, old
and uneducated who have recently swung
against the common market.

But the "antis" have always been signi-
ficantly uneducated, old and poor. The
recent swing, for all the poll can tell us,
may bristle with money, learning and
youth. Even if it does not, a vote of 52.2
per cent has its purely prosaic uses in an
election. As for melting away afterwards,
sound Conservative thinking tends to dis-
regard this.

You will be glad to hear that I wrote this
all myself, can afford the stamp, and keep
very fit, seeing as how I'm nigh on 32.—
Yours faithfully, R. M. DODWELL
London, SW5

Ivory Coast

SIR—I have recently observed at first hand
the shocked dismay caused on the Ivory
Coast by your article of August 18th.
Your correspondent was completely
wrong on many points, of which I will
select only two of the most glaring. His
comment that Guinea was "deserted by
France in 1958, and is now being made
to beg for the right to return to the
de Gaulle fold" is totally inaccurate. In
September, 1958, through a referendum, the
de Gaulle government submitted to the
people of France and the French Union of
overseas territories a new constitution which
provided for an entirely new relationship
—the transformation of the Union into a
French Community, whose members were
given the choice of becoming departments
of metropolitan France, or of becoming
semi- or fully-autonomous states within the
Community. Those voting against all three
choices would be deemed to have seceded,
and all French aid and services would end.
All the territories, except Guinea, voted in
favour—in most cases by a majority exceed-
ing 90 per cent.

Your correspondent also states that "the
coffee grown in the Ivory Coast is of poor
quality." Robusta coffee grown in the Ivory
Coast is certainly of a lower quality than
the super-aromatic Arabica type, but
Robusta is internationally used for blend-
ing, as the sole use of Arabica would put
a prohibitive price on coffee. Ivory Coast
Robusta is held by experts to be the best
for blending, and for the processing of
highly roasted beans into soluble powder;
hence its extensive use in espresso coffee,
and the establishment of the instant coffee
factory in Abidjan. Coffee exports from the
Ivory Coast to countries in the highly-
competitive markets outside the franc zone
rose from 16.49 thousand tons in 1957 to
47.57 thousand tons in 1961.

Facts apart, the whole tenor of your
correspondent's approach needs to be
questioned. He seems almost openly dis-
appointed that there is not widespread dis-
satisfaction with the French connection,
and that the benefits which accrue from it
are not regarded as "an alien anachronism."

Why should not an emergent country
retain links with its former rulers which are
of obvious mutual advantage? Surely
experience elsewhere in Africa has proved
that there is everything to be gained. Would
your correspondent have reached the same
conclusions if the Ivory Coast had been a
former British possession? Why cannot he
accept that both Ivorians and French see
where their interests lie, or—to descend to
his type of terminology—which side their
bread is buttered?—Yours faithfully,
London, SW3 A. H. BEGG

Hamlet, whose idea of a good Bill is one that will please the King, the Queen and his father's ghost equally. On the floor itself the Democrats are described as having "about as much discipline as a bunch of Baluba tribesmen." Things are little better in the Senate, where the Democratic leader holds courtesy, accommodation and self-restraint to be the supreme virtues of his position. His more forceful predecessor, the present Vice President, Mr Lyndon Johnson, has to look on impotently while powerful Senators strut about like feudal barons.

Southerners talked to death civil rights for Negroes, liberals tried to follow suit over the communications satellite, because it was not to be owned by the government, and the country was presented with the sorry spectacle of a squabble between two octogenarian chairmen of committees holding up vital business for months. The confusion seems to be compounded by a feeling that there is not much in the President's programmes for the South, the Midwest or the rural areas, whence the power in Congress still largely stems. Many old-fashioned legislators still prefer flowery oratory to hard thought and distrust Mr Kennedy and his advisers as "smart" politicians who, it is said, are all brains and no heart. This attempt, by men whose natural tendency is to regard almost any sort of social welfare with horror as a "handout," to picture the New Frontiersmen as too cold and calculating might be dismissed as absurd, if it did not represent a genuine fear that politics are becoming an intellectual pursuit. Unfortunately, political issues are likely to get more, not less, complex and the legislation which is required harder, not easier, to understand. A consequence is that President Kennedy is now being criticised both for getting too little and for asking too much.

South's Last Stand

I—Enforcing the Law

THE struggle in Mississippi this past week has been much more than a personal trial of strength between President Kennedy and Governor Barnett. The courts had made it an unavoidable obligation of the United States government to enforce their decision that Mr James Meredith, a qualified Negro student, must be admitted to the all-white University of Mississippi. The issue was whether Americans who disagreed with the laws were to be allowed to disobey it. Once the question was put in these terms, as President Kennedy did so clearly in his television address to the country on Sunday night, there could be no doubt of the outcome. In the end Governor Barnett himself gave in and abandoned his intention of going to prison rather than submitting to the courts.

The charges of contempt of court against Mr Barnett are not being dismissed until it is seen whether the peace is kept and education provided at the university. But the federal authorities are undoubtedly relieved that they have not been forced to make a martyr of the Governor. Indeed, throughout this sorry affair he has been given every opportunity to save his face. It was this which led to the fatal delay in sending in federal troops when rioting broke out on Sunday night. The President trusted Mr Barnett to preserve law and order and as a result two men were killed and many injured. Since then the United States Army has been in control of Oxford, the university town.

Throughout the President has shown flexible restraint coupled with patient responsibility in the

use of his power. In this third great crisis of his time in office there was no sign of his indecisiveness over Cuba or of his arbitrary anger when dealing with the steel companies. Mr Kennedy's victory in Mississippi has been won with firmness and with sympathy. The struggle is not over either there or in the South as a whole, but it is no longer possible for any American to delude himself into thinking that the federal courts can be ignored.

II—Waving the Flag

FROM A CORRESPONDENT IN OXFORD, MISSISSIPPI

ALMOST precisely a hundred years ago this autumn the forces of the United States Army, led by General Ulysses S. Grant, were poised in Tennessee for a southward thrust into the Confederacy. When loosed, they pierced Mississippi to Oxford, and Grant made his headquarters there before marching on Memphis and Vicksburg. Today Mississippi is again under assault. Again, the target is Oxford. Shots have been fired and men killed. There has been conflict to reflect, if not repeat, the anguish of 1862.

These weeks of 1962 are entering history because Mr James Meredith, a 29-year-old Negro Mississippian, backed by federal law and the force of the federal government, is seeking to break the white exclusivity of the 114-year-old, tradition-shrouded University of Mississippi. And the segregation which he is attacking in the southern educational system and which is now doggedly total only in three states—South Carolina, Alabama and Mississippi—is merely the fulcrum for a larger debate, the see-saw controversy between federal rights and the states' rights, between local autonomies and the mounting power of the central government.

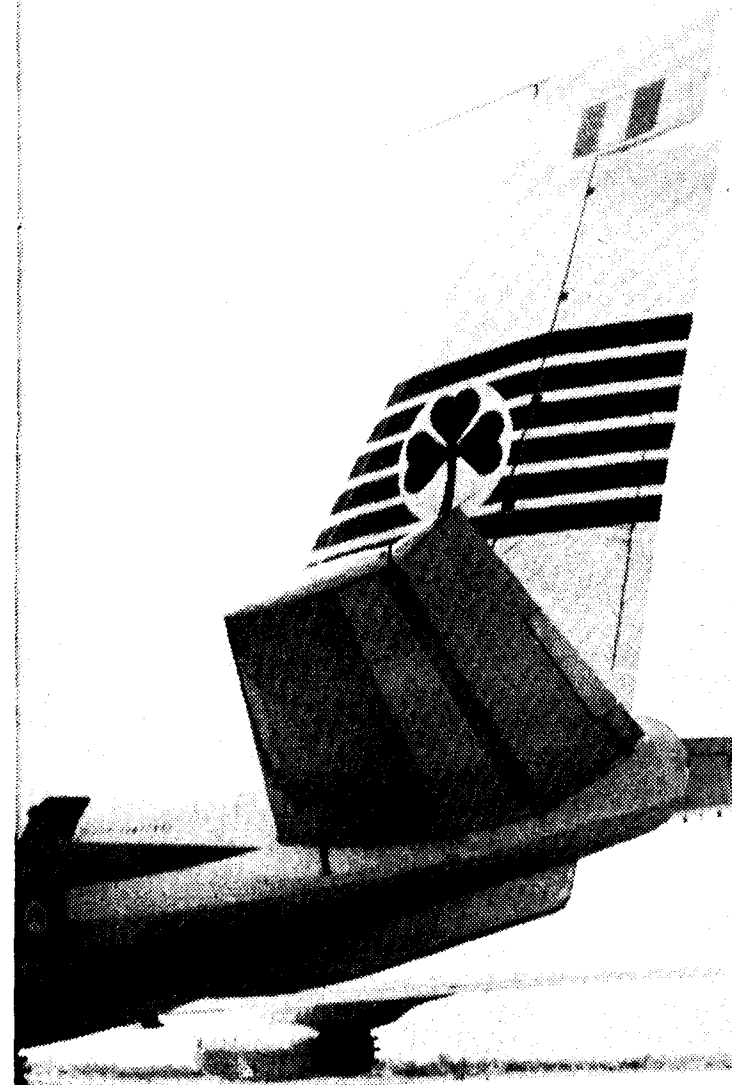
The Governor of Mississippi, Mr Ross Barnett, based his initial defiance of the court orders that he must allow Mr Meredith to register at "Ole Miss," as everyone calls the university, on the Tenth Amendment to the United States Constitution. James Madison sponsored this amendment not so much to alter the original instrument of government as to confirm the understanding that "powers not delegated to the United States by the Constitution nor prohibited by it to the states, are reserved to the states respectively, or to the people." Therefore Mr Barnett contended that the segregated "separate but equal," and unconstitutional, educational system of Mississippi was Mississippi's concern alone and denounced the 1954 decision of the Supreme Court of the United States against racial segregation in schools.

One had only to watch the beefy, swaggering, imperious "peace" officers of Mississippi last week as they fingered billy clubs and black jacks in wait for Mr Meredith at the frontiers of "Ole Miss" to grasp just how extreme was Mississippi's resentment against the federal government at the moment. And all that government's strategies in the case have merely stiffened this anger. But by his challenge Governor Barnett raised the danger that "Ole Miss" might lose its accreditation, which gives the university academic standing in the rest of the country. This happened in 1930 when the then Governor Bilbo (later he became Senator), also an extreme segregationist, interfered with the teaching staff. Then students burned Bilbo in effigy for hampering their academic careers. Last week they were no less alarmed by the news that the Southern College Accreditation Board was holding hearings on "Ole Miss" and by rumours that the Governor might close the university as a last ditch way of keeping Mr Meredith out.

"Let Meredith in if it has come down to that," said a pretty co-ed and an Oxford business man



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AMERICAN SURVEY

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who had just signed a petition urging the Governor not to close the university told an inquisitive acquaintance: "Sure I'm southern, but I'm a businessman too. Our economy depends on that school." The Scripps-Howard *Memphis Commercial Appeal*, the daily paper with the largest circulation in Mississippi, pointed out that "the students are the true sufferers in this mess . . . Mississippi needs their talents and services, it should not drive them away," while a distinguished member of the university staff said as he surveyed the cordon of helmeted highway patrolmen with gas masks at their hips: "You can't have an educational system operating under these conditions."

Meanwhile, Mississippians were beginning to chafe beneath the glare of attention swung their way by the 150 and more reporters who have been rushing daily supplies of words and film to audiences from Long Island to London and further. Many Mississippians snarl about "that nigger," but others seem to sense—even though resentfully and secretly—that thinking and tradition must change, that ever more massive and relentless federal authority is against this kind of intransigence, that their defiance is not just a backward squabble but increasingly a world irritant.

For the law of the land to be upheld effectively, it was not enough for Mr Meredith to be registered, as he has been ; he had also to attend classes at " Ole Miss." This he is doing, protected by federal marshals from the inflammatory emotions of the students. For him to register and then retreat would have been no more than a pyrrhic victory for the Department of Justice. The Kennedy Administration, the federal courts and an important university are all at historic cross-roads. And the townsfolk of William Faulkner's beloved Oxford are challenged by the plaque on their City Hall: "To the courage and genius of her people to become a progressive city awake alike to present change and to the rich culture and tradition of the old South."

Sweet Little Bird

FROM A CORRESPONDENT AT CAPE CANAVERAL

AT 7.15 on Wednesday morning Commander Walter Schirra left Cape Canaveral after a hearty breakfast; he returned to earth nine hours later after orbiting it six times, landing accurately in the Pacific beside the chief recovery ship. He had travelled twice as far as America's earlier astronauts, though far less far than their Russian counterparts. The capsule behaved like a "sweet little bird" according to Commander Schirra and, apart from a little worry over the temperature inside his space suit, he seems to have had no troubles. One of the things it was hoped to learn from the flight was whether fuel and water could be saved by shutting off the power and letting the capsule drift. New materials to protect the capsule against the heat of re-entry were also tested.

Cape Canaveral is 25 square miles of sand, scrub, brush and rattlesnakes with space and missile equipment sprouting from its sunburnt surface. Each year the National Aeronautics and Space Administration and the United States Air Force use this equipment to hurl millions of dollars worth of metal into the sky. Commander Schirra is the fifth man to accompany this metal and the third American to go into orbit. Now that he has successfully completed his six tours of the earth preparations will go ahead to put a man into orbit for a twenty-four-hour period at the beginning of 1963. Space launchings are very much a public ceremony and the press area looks like a minor state fair, complete with hot-dog stands and trailer caravans. The actual launching site bids visitors: "Welcome to complex 14. Launch site of the free world's first ICBM and the free world's first man in orbit." A large

sign outside the Cape Colony Inn, in which the astronauts hold shares, reads: "Go for six Wally with our confident hopes."

But the continued success of the space trips has removed a good deal of the glamour from the shots and the press contingent at Cape Canaveral has fallen from 700 at the time of Colonel Glenn's flight to just over 300 this week. The great bulk of these are from the television companies and there are only 18 foreign representatives at the Cape, apart from a group of 20 European journalists at present touring United States defence installations on a friendship mission at the expense of the State Department. In fact, apart from the drama of the actual launching the newspaper representatives—a mile from the launching pad—are no better off, and a good deal hotter, than people watching their television sets. Europe and the Soviet Union had the story in pictures *via* Telstar within forty-five minutes of the launching. But for the press having a man on the spot is insurance, in case something goes wrong.

Least-favoured Nations

THE trade expansion Bill, which as a whole represents such a splendid victory for the President, contains one serious flaw. It forbids the Administration to grant any trade concessions to Poland or Yugoslavia and deprives both countries of the benefits which they now enjoy under the most-favoured-nation principle ; this extends to all countries outside the Sino-Soviet block tariff reductions which the United States negotiates with any country. Up to now Congress has permitted the Administration to treat Poland and Yugoslavia as though they were not members of the communist block, in order to encourage them to be independent of Moscow. The present about-face in Washington means that they may have no alternative but to go cap in hand to the Russians, who will probably exact a political price for concessions on trade. Yugoslavia does nearly three-quarters of its trade with the West. It is already afraid that it may be about to lose customers to the countries of the European common market. Now comes the news that American duties on Yugoslav products are to rise as a result of the withdrawal of most-favoured-nation treatment.

For this unexpected blow the President is indebted to Mr Mills, the chairman of the conference which met to reconcile the two versions of the trade Bill passed by the Senate and the House of Representatives. Mr Mills, who tends to be over-cautious, voted with the Republicans to adopt the House version on this point because he feared that the whole trade Bill might be in danger if the conference ignored the views of the House on Poland and Yugoslavia. These were underlined when the House wrote into the Bill appropriating the money for foreign aid a ban on help for any country "whose government is based upon the theory of government known as communism." The House also voted to prohibit any aid, economic or military, to any country which permits its ships to carry goods to Cuba. Military programmes in Great Britain, Norway and Greece would all be affected, according to Mr McNamara, the Secretary of Defence, though what military assistance to Britain he had in mind is rather puzzling.

It is tempting to brandish the big stick in this way just before an election; usually the expectation is that if such amendments are really damaging they will be removed in conference. This week when the Senate voted to restore much of the money for foreign aid cut out by the House it did, in fact, also restore the President's discretion to give help to countries which have incurred the wrath of the House. But the votes were close and to get its way on this point in bargaining with the House the Senate may have to concur in bigger cuts than it would like in the actual funds for foreign aid. Moreover, what happened to the trade Bill stands as a warning that success cannot be taken for granted.

Striking to Keep a Job

LAST week when Mr Willard Wirtz was sworn in as the new Secretary of Labour he pointed out that "the fact of change" lies behind most of the really bitter labour disputes in which the Administration is being involved. A job, he said, is something that people can no longer expect to hold for a life-time. But he showed that he understood very well that "feather-bedding"—the insistence on performing unnecessary tasks—arises not from unwillingness to work, as the employers sometimes imply, but from a deep desire to do so. The strike of the dockers along the Atlantic and Gulf Coasts which began on Monday is a perfect example of resistance to change. The employers, who say that productivity in the docks has been declining, seek the right to use their high-priced dock labour more efficiently; the International Longshoremen's Association will not even discuss the matter. As both sides expected, President Kennedy lost no time this week in taking the first step toward obtaining an injunction from the courts under the Taft-Hartley Act which will send the men back to work for eighty days. But neither the employers nor the ILA think that a solution will be worked out in that time; if not the Administration will be faced with the resumption of a strike which might do much damage to the country's balance of payments as well as to places like Puerto Rico.

The federal mediators tried, without success, to get the ILA to consider binding arbitration, a device which has just been used to end a month-old strike of telegraphists against the Chicago and North Western Railway. This has been causing a great deal of economic distress in nine mid-western states and stopped just in time to save the beet-sugar harvest. The dispute, which goes back five years, is over whether the union should have the right to prevent the railway from abolishing jobs which are no longer needed; for example many small stations have been shut down permanently, to help to put the company on a profitable basis. The arbitrators are expected to follow the lines of a special presidential board which recommended that the union should not have a veto where jobs are concerned, but that it should be consulted and that the company should do much more for its discharged employees—in the way of severance pay and retraining them for new jobs—than it has been doing. The arbitrators must report by next week and what they decide is expected to set an important precedent for the whole railway system, which for years has been trying to obtain a freer hand to modernise its operations.

In a third industry of national importance, missiles and space, the Administration is well on the way to averting a strike by persuading the employers to accept the union shop; this provides that all men who are hired must join the union if they are not members already. Of the big firms in southern California only the Lockheed Aircraft Corporation is still holding out against this concession.

Democrats Against the Odds

WHEN the dust settled at Syracuse, New York, last month, few observers felt that the candidates chosen there by the Democrats had much chance of defeating Governor Rockefeller and Senator Javits, the two Republican incumbents, or even of reducing the majorities by which they won last time. Both Mr Morgenthau, the son of Roosevelt's Secretary of the Treasury, who is the Democratic candidate for Governor, and Mr Donovan, his senatorial running-mate, are new to politics and both believe that it is the issues which count—an admirable point of view but one which may not get far against the political glamour of Mr Rockefeller and the experience of Mr Javits. If President Kennedy and Mr Wagner, the Mayor of New York City, had been really

serious about clipping Mr Rockefeller's wings and making it harder for him to win his party's presidential nomination in 1964, they should have bestirred themselves earlier to find a candidate. Instead, Mr Morgenthau was given only six weeks to make himself known.

The chaotic Democratic convention, so different from the clock-work operation of the Republicans at Buffalo two days later, laid open the deep divisions in the state party and left wounds behind. Mr Wagner, the knight who is supposed to have slain the dragon of bossism, was accused to his face of acting like a boss himself; his candidate, Mr Morgenthau, was put over in the end by the Bronx votes of Mr Buckley, the only one of the old bosses to survive the Mayor's crusade. Mr Buckley was shrewd enough to back Mr Kennedy for the Democratic nomination in 1960 when most of the Democratic reformers in New York were chasing after Mr Adlai Stevenson. At the convention the suspicions of Democrats outside New York City that real control over the party is vested in the city were confirmed—a damaging development when more than half the votes are cast "upstate." The candidates chosen by both parties showed the respect for all racial and religious minorities which is traditional in New York, the great melting-pot. But the Democrats went even further than the Republicans; for the first time a Negro has been selected to stand for a state-wide office, that of Attorney General. The Democrats pin their public hopes to

Half a Tax Loaf

As expected, the final compromise version of the Tax Bill does not contain the provision for withholding at source income taxes on dividends and interest. Originally the Administration attached great importance to this as a means of making up revenue lost by other provisions of the Bill. The withholding plan was to bring in an additional \$780 million or so a year; only about a third as much will be gained as a result of the substitute provision in the Bill which requires that those paying dividends and interest must make annual reports to the Treasury on such payments.

About \$1 billion in revenue will be lost by the investment credit, the vital section of the Bill, intended to encourage businessmen to expand and modernise their productive facilities; they will be able to reduce their tax payments by \$7 for every \$100 spent on new machinery and equipment. They will, however, be able to entertain less lavishly than in the past—on a tax-free basis, at least—although still more lavishly than the Treasury had hoped. The costs of yachts and hunting lodges are now tax deductible only in so far as it can be proved that these are "directly related to the active conduct of business." Travel expenses can only be deducted if the journey is for business purposes; the week-end on the Riviera between conferences in Paris and Rome must be paid for out of the traveller's own pocket. Presents to clients are limited for tax purposes to \$25-worth to any one person in any one year. But businessmen will now be allowed to deduct the costs of trying to influence legislative bodies in their favour, that is, of "lobbying."

The Bill also provides for considerable tightening up in taxes on earnings of Americans living overseas, on dividends received from abroad (except for "less developed countries") and on foreign investments, although here again the new provisions are much less stringent than the Treasury had wanted. Savings and loan associations (building societies in England), mutual savings banks, co-operatives and insurance companies, most of which have been practically exempt from taxation, will now have to pay substantial amounts. All this justifies the Treasury in claiming that the new Bill is the most important tax legislation in twenty years even if it is not as important as was forecast last January.

this courting of minorities and to the emergence of a right-wing conservative party which will draw some votes from the Republicans. But in private few Democrats are sanguine.

Missiles for Morgenthau?

LAST week the State Department announced that Israel was to be allowed to buy an undisclosed number of Hawk air-to-ground missiles to protect its airfields against the bombers and missiles which the Soviet Union is selling to Iraq and the United Arab Republic (now consisting only of Egypt). The announcement was no news either to President Nasser of Egypt or to Jewish leaders in the United States; both had been informed beforehand. Forewarning President Nasser made good sense. By stressing to him that the missiles are purely defensive the United States has done its best not to add new drive to the existing arms race, to keep its relations with Egypt on their recent warmer footing and to preserve the possibility of some settlement of the problem of the Arab refugees from Palestine. But leaking the news to Jewish leaders in the United States only reinforces the suspicion that the missiles promised to Israel are primarily weapons to assist a Democrat, Mr Morgenthau, to become Governor of New York, a state in which the Jewish vote, and Jewish campaign contributions, count a great deal.

The timing of the step cannot fail to reawaken Arab suspicions that Washington's middle-eastern policy is still governed by domestic political considerations, at least every two years. It is also, of course, a pity that the United States should feel that it has to reverse its policy of staying out of the arms race in the Middle East. The justification now being advanced is that the arming of Egypt and Iraq by the Soviet Union is tipping the balance of power against Israel and that unless this is rectified it may lead to hostilities, either because of the temptation to the Arab countries to launch a new attack on Israel or because Israel itself might feel that it had to wage a preventive war. Israel is thus to become the first country which is not aligned militarily with the United States to receive Hawk missiles. They had to come direct from the United States. France, which normally acts as the West's armorer where Israel is concerned, is not allowed to sell the Hawks which it receives as a member of the North Atlantic Pact. All these arguments would be more convincing if they were not being put forward just a month before the congressional elections. The State Department, caught in a horrid dilemma, is insisting that the United States still has no intention of becoming a major supplier of arms to Israel, that it is not committed permanently to maintaining the balance of power in the Middle East and that the change of policy "is limited to the current situation." In Israel or in the Bronx?

Restitution for the Nisei

FROM A CORRESPONDENT IN SAN FRANCISCO

CALIFORNIA's congressional delegation, which is split almost evenly between Democrats and Republicans, has united to right a threatened wrong to many thousands of Japanese-Americans in the state. After the war compensation was awarded to the Nisei, as Americans of Japanese ancestry are called, for the losses which they suffered in 1942 when they were moved away from the coast and had to sell their houses and businesses at prices below their real value. But in July the Internal Revenue Service ruled that the compensation should be subject to tax as capital gain. The ruling aroused many protests in California, where it revived the haunting sense of shame over the arbitrary way in which all Nisei were herded by the Army into "relocation camps" immediately after the Japanese attack on Pearl Harbour.

Some 110,000 Japanese, many of them naturalised citizens or American-born, were interned. Many of them lost nearly everything they possessed—in all, it has been estimated, property worth some \$400 million. After the war about 44,000 Nisei filed claims for compensation which were settled eventually under the Japanese-American Evacuation Claims Act of 1948 for around \$38 million. This sum, which has been called paltry by Senator Kuchel of California, was never considered either by Congress or by the claimants to be taxable. California's representatives in Washington have now succeeded in preventing this addition of fresh injury to insult. On August 31st both houses of Congress approved Bills exempting the postwar awards to the Nisei from taxation. In California the spontaneous character of the demand for this last gesture of restitution reflected widespread regret over the hasty and cruel treatment of the Nisei during the hysteria which prevailed along the Pacific coast twenty years ago.

Age for Drinking

FROM A CORRESPONDENT IN NEW YORK

UNLIKE their compatriots in other parts of the country the young men and women who live in New York State are allowed to buy beer and spirits from the age of 18. All other states require purchasers to be 21, although a few permit 18-year-olds to buy beer only. As a result, neighbouring states have been pressing New York to revise its laws on the somewhat sensational grounds that young innocents are being lured from across the border by tavern owners who fill them up with beer and whisky. Later in the evening they drive drunkenly home, likely to kill not only themselves but others on the roads. New Jersey appears to have exhausted every means at its command to halt this exodus; a recent law makes it a crime for any minor to have alcoholic beverages in his possession and of late police have been blocking the roads where they cross the boundary to New York. Officials in both Connecticut and New Jersey have collected detailed statistics which show that a large number of motor accidents are caused by teenagers coming home from binges in New York City.

But the reliability of these figures has been questioned and Governor Lawrence of Pennsylvania, the state which shares the longest amount of border with New York, has been reticent about committing himself to the campaign for getting that state to increase its age limit. Nor is feeling particularly strong in New York itself; the average amount of liquor consumed there each year is considerably lower than in either New Jersey or Connecticut and violations of liquor laws less frequent. The more rigid laws in the 49 other states have certainly not stopped teenagers from drinking and many of them have been found to be more responsible in their habits than are their elders. Innumerable studies show clearly that youngsters begin to drink—usually only beer—in high school at about 15. Often parents provide alcohol in limited quantities at home; beer is inexpensive and there is relatively little difficulty in buying it from grocery shops or friendly bar tenders or by false statements of age.

The liquor industry is concerned, however, about the campaign for changing the laws, not so much because it is afraid of losing business, but because it suspects that the "drys" have found a new rallying point which could develop into a crusade. This dreaded pressure group includes the Women's Christian Temperance Union and several large church organisations, the Methodists in particular. The high rate of motor accidents has provided the prohibitionists with a hot issue with which to prod civic bodies, mothers and parent-teacher organisations, whether or not the accidents are actually the result of drinking. The liquor industry fears that an increase in the age limit in New York might set off a nation-wide drive to shorten selling hours and to impose other restrictions on sales of alcohol.

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THE BUSINESS WORLD

MR MAUDLING'S GENTLE PUSH

Stage by Stage

EMOTIONALLY, one is inclined to feel this week that Mr Maudling has not gone far enough to reflate demand; intellectually, it is hard to fault his judgment, at this moment, of just how far to go and where. Taking into account (with a growl of relief?) the latest jerk upward in retail sales that chastened statisticians at the Board of Trade now assure him really did happen, the Chancellor of the Exchequer can cite an upward trend in personal consumption. Refusing to be daunted by the August trade figures, he can repeat that exports have risen by six per cent over the last six months, more than anyone expected. In the public sector, investment and current spending continue to grow; only in private investment is there a decline. The general picture, said the Chancellor at the Mansion House on Wednesday was of

an improved position abroad with sterling stronger and exports increasing, but with the most recent figures suggesting that our current surplus may be narrowing again. At home, demand and production have been expanding, but not so fast as to avoid some increase in unemployment, and there is undoubtedly spare capacity in the economy.

Reflation, then? Yes; "relaxation" and "stimulus to the economy"; but the action should be methodical and its timing deliberate. Consumption and stock building are probably growing naturally, and the payments margin is "narrower than we should have liked." So reflation with care, decided "stage by stage as the situation unfolds."

In this stage his first move was the partial release of special deposits last week; the second, assumed last week but only formally announced by the Governor of the Bank of England at the Mansion House banquet, has been withdrawal of the request to banks and others to exercise special restraint on lending. Mr Maudling's third and fourth moves are unexpected. The administrative release of another three-year instalment of postwar credits, bringing the qualifying ages down to 60 for men and 55 for women, will put a non-recurring £42 million into the pockets of oldish middle-class people. It might have been better paid out, via old age pensions or National Assistance, to the oldish poor; it would have been even more certainly spent and not saved, as the economy needs it to be.

Move four may have required some political courage, in the week before the Tory conference; at a time when public investment is already growing quite rapidly, Mr Maudling has put it up again. The amount is modest—£70 million of investment to be started during the next 18 months. The classes of investment where he has approved the increases, principally in housing, education, and road-building for the North-East,

to improve the communications there as a possible attraction to industrialists, are not too controversial; indeed they touch some large contemporary national needs on which most people are agreed. But public investment of any kind without a concomitant attempt to stimulate private investment will raise some Tory hackles. It will also be unpopular in manufacturing industry, in that schools and houses make practically no demand on steel or the capital goods industries. Mr Maudling recognised

the limitation that by and large private manufacturing investment calls more for products of the heavy engineering industry, while the burden of public service investment falls upon the construction industries that are already fairly heavily loaded.

Unless the Treasury is more sanguine than other people about the engineering orderbook, this is going to leave alone a growing margin of spare capacity in British engineering. Are there any measures of selective stimulus to industries, like those he has given to some regions, that could be devised—even perhaps on the export side through new forms of aid?

UNTIL the budget at least, the Chancellor intends nothing specific to stimulate private investment. This is partly on his judgment that the modest stimulus he has given is "enough for present circumstances, [unless] the picture changes . . ."; but partly also, because for the time being he thinks no new specific measures could stimulate "any vigorous expansion" in private investment. (He is, however, looking closely at depreciation techniques.) Few cool analysts, however reflationary their sentiments, could refute this.

My own conviction is that the major determining factor in private investment is the prospect of a sound and growing market. All other considerations are subordinate to this. The best way therefore in which the Government can encourage investment is by holding out the prospect of a steady growth of demand.

This week's minor measures of reflation can hardly promote that. But counting in the "underlying trend" of growth so far in the economy, and standing ready with further measures to encourage "a trend that can be maintained," the Chancellor is perhaps entitled to hope such a prospect may be visible before too long. Put aside the sour suggestion that "underlying growth" means the growth that doesn't actually happen, and "maintainable growth" is what just might.

Mr Maudling announced these measures within the context of a Mansion House speech that paid scrupulous attention to the external limitations upon British internal policy. Clearly, the lack of elbow room for expansionism irks him more than

it did his predecessors. Internationally, he recognises that the danger of inflation had still to be considered, so long as people do not become "mesmerised by it": but

A serious setback to the still dominant United States economy or a further weakening in commodity prices could, to my mind, produce serious dangers of quite a different type, namely, a general contraction of world trade or a tendency towards world deflation.

It is his concern with this danger among the others that makes the Chancellor more worried than the Americans about the inadequacy of present reserves in world payments, which he believes could become a limiting factor on world trade expansion. He intends to "make full use of the opportunities of further discussion with our friends" of his Mutual Currency Account plan. So far, he professes satisfaction with the cool first reception it received in Washington. "One cannot expect more immediately," the Chancellor told his Mansion House audience. "These questions are as complex as they are important, and bankers are conservative people."

Bankers are Conservative People

"BUT, Mr Chancellor, I can assure you, as a 'conservative banker,' that I would welcome with enthusiasm every 'new initiative' you may see fit to launch to strengthen the economic standing of the country." In these careful words, which some would associate with a technique made famous by the best Chancellor of the Exchequer we then had, the Governor of the Bank of England ended a speech that was hardly on the same wavelength as Mr Maudling's. Lord Cromer issued a stern warning against taking up present slack in the economy "solely" by stimulating increased demand at home, and, thus qualified, one can only agree. But the main burden of the Governor's remarks was that an important contribution to the extra overseas earnings Britain needs could be made by setting the City free. Exchange control still holds back London bankers' participation in financial ventures overseas; stamp duty deters the foreign investor from the London stock exchange; and so does the continuing restriction, which is

part of the exchange control, on the issue of bearer bonds, which foreign investors, and tax advisers, prefer. "Can we afford to discourage this foreign business?" the Governor asks.

Some of it—the lending part—we can certainly afford to discourage. The Governor's faith in the curative possibilities of a still freer financial market in London is a little surprising at this day. Critics can reasonably assert that the results from similar drives undertaken in the mid-fifties (or the mid-twenties) were not quite what had been expected. And while the Governor still takes "the view that the existence of sterling as an international currency provides us with a unique opportunity to increase our national earnings in additional ways, over and above what industry earns by the sweat of the brow," the Chancellor is more concerned with the restraints and risks associated with sterling's status as a reserve currency.

There does not need to be a conflict here: the City's expertise is indeed an asset that could be better exported internationally. But if the City's ambitions are to be fitted within the possibilities of the balance of payments, and are to increase and not to reduce the Chancellor's pitifully small freedom of manoeuvre, then the drive for an expanded international role for the City must be much more selective. It must concentrate on improving the way in for foreign funds rather than adding to the already well paved way out. In practice a good deal has been done in this direction recently so that the drag of Britain's own large capital exports has been substantially offset by an inward flow. The most important offsetting factor has been the attraction of high interest rates, not least on local authority deposits which are soon to be curbed. Lord Cromer, who in his first Mansion House speech a year ago began the talk-down that has since reduced long-term interest rates from 7 to $5\frac{1}{2}$ per cent, this week contented himself with nodding approval for the trend—approval that is shared by Mr Maudling. The Chancellor would do well to think out what the implications are for the balance of lending and borrowing, particularly if the lending is to become rather freer—as, in a modest way, it will have to under the Treaty of Rome. The covering fire that high interest rates can provide for the balance of payments can hardly be dispensed with by a Chancellor seriously determined to maintain the pace of growth—especially if by the new year he finds that another stage of stimulation is needed after all.

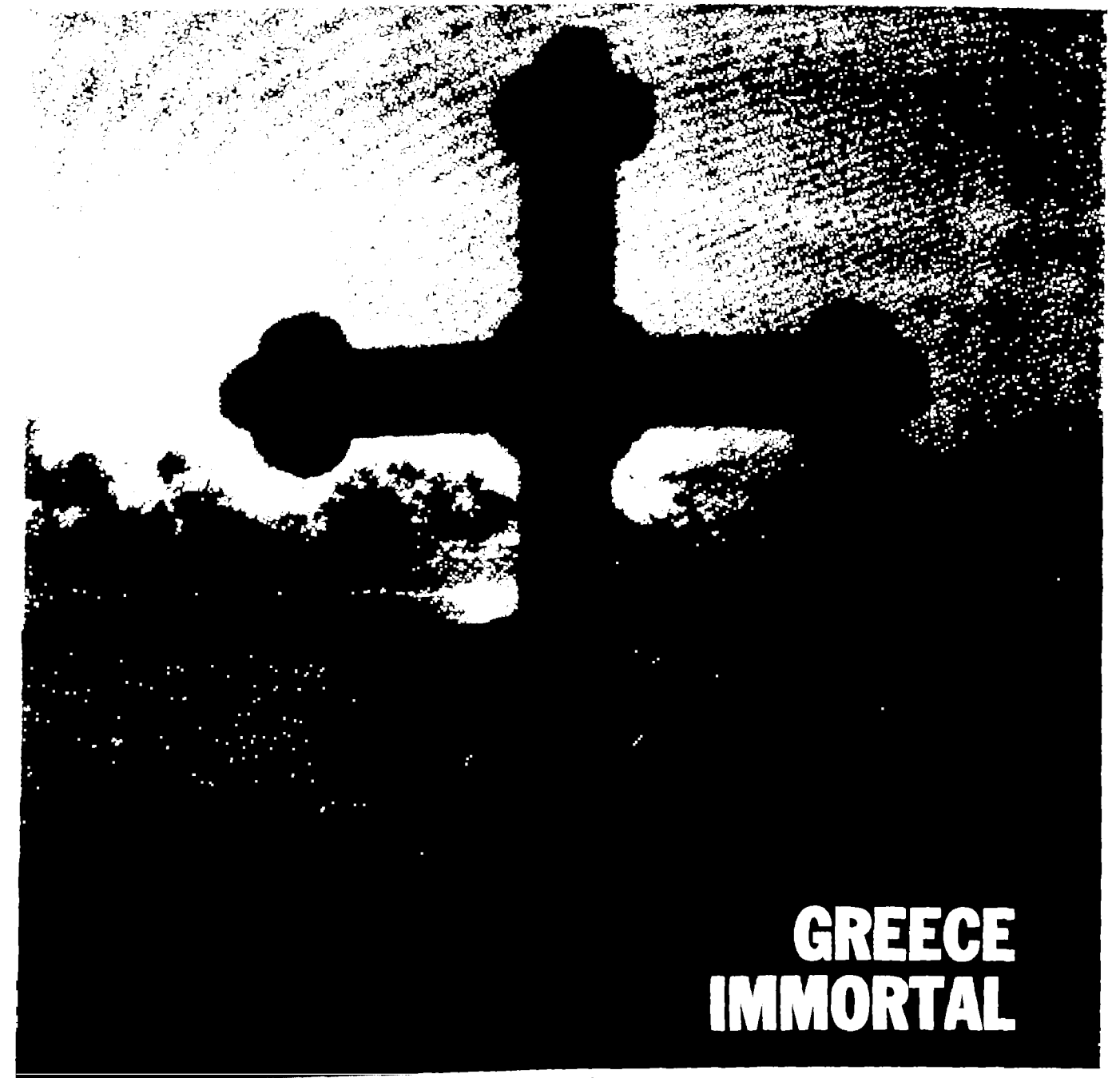
Whose Energy Policy?

NOTHING has been said publicly on either side, during the private talks between the Iranian government and private oil companies represented in the Iran consortium in Paris this week, to hint at what might come out of these first discussions of the proposals that the Organisation of the Petroleum Exporting Countries made in July; and any press statement that the parties may issue at the end of the talks can also be expected to say nothing. A good deal has been said and will be said, on the other hand, about the meetings in Luxemburg this week, where the Council of Ministers of the European Coal-Steel Community has been discussing the European executives' proposals for a common market in energy. Neither set of discussions is likely to achieve anything very positive very soon.

Nowadays the developing affairs of OPEC and of energy

policy makers in the European Six (plus ?) run parallel in more than time. So far they are well apart, and some people are anxious to see that the parallel lines never intersect. But neither, practically, can now act without considering the other, as a factor of growing importance.

This fact of co-existence could eventually become inconvenient for the international oil companies, whose business lies in between the countries where oil is produced and those where it is consumed. For the moment, however, these companies are directly concerned with only the first group of governments, whose own kind of energy policy is simpler to formulate than one for European consumers may be. OPEC's members may not be the most obviously cohesive group one could imagine, but they have been able to agree on specific demands that would mean radically different financial



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terms for the companies (and possibly rather different prices for consumer governments to think about in Luxemburg). Since OPEC set out its demands no public response has come from the oil companies, except some unofficial comments designed to answer or refute some of the arguments prayed in aid by explanatory memoranda issued after its resolutions. There is certainly no reason to guess that at the Paris meetings this week the companies will have said Yes to any of OPEC's demands. To its first demand, that posted prices in the Middle East (which are used to calculate the notional profits on crude oil exported, and hence determine the income tax payable) should be raised to the level ruling before the last price cuts of August-September, 1960, they will certainly say No; and should. Those prices are even now perhaps 30-35 cents a barrel (15-20 per cent) higher than can be realised on Middle East crude sold to "arm's-length buyers."

Prices, in any case, are something that no company considers negotiable with governments. The "take" that host governments get out of those prices, over the years, obviously must be negotiable, from time to time. But there is little sign that in raising the issue of "expensing royalties" OPEC has found an aspect of this take on which the companies would at present be ready to negotiate. "Expensing royalties" would mean charging this element of the governments' take as a cost before assessing taxable profit, and not offsetting it against the 50 per cent income tax on those calculated profits. It would slightly reduce the amount of income tax payable; but the Middle East governments would get the royalty in addition to the tax, not lost within it. Paying more income tax as such, the international companies concerned would in principle have more to credit against tax payable in their home countries on foreign income. But most of the American companies concerned have more tax credit available already than they can utilise in their home country; and some of the European companies do not live in a tax credit situation anyway.

The third OPEC demand, that the marketing expenses now charged as a percentage of posted price per barrel should be revised because the volumes of oil involved have vastly increased, bringing down the unit cost of selling it, ought on the face of it to be negotiable. But since this is the very least of what OPEC wants, that alone would hardly help.

Could the Iranian government, negotiating on behalf of OPEC, afford to take back a flat No; and could the member governments of OPEC, at this early testing time in the organisation's existence, tamely accept one? One is inclined to doubt it; and that, for companies which hope to continue to do business face to face with these governments for the next many years, may be a good reason for not sending back such an answer. Neither side lacks bargaining power; but that does not make it positively wise for either to risk an impasse, or calling the other's bluff.

Watching their suppliers haggling with landlords, the consumer governments in Luxemburg this week may well be concerned whether the Middle East oil that they want to import, in ever-growing volumes, in future, will remain cheap. The Six cannot afford to consider the incomes of the oil-producing countries in quite the way that they affect to consider the incomes of other primary producers; these are not poor countries to be fobbed off with the assurance that commodity agreements will be considered some time. But the oil companies differ from other primary producers mainly

in having much more bargaining power, because the commodity they supply is that one Europe must have and cannot produce itself or get elsewhere at remotely comparable cost. The European countries might answer that the wide difference between Middle East costs and the price of oil from everywhere else is largely shared between Middle East governments and the companies (though consumers have been reducing the companies' margin, of recent years, by exacting discounts below posted prices). But this margin has financed the great majority of investment in moving and processing Middle East oil, and indeed in seeking the "diversification of sources" of oil on which Europe's proposed energy policy lays so much reliance.

Investment in diversification, since Suez, has indeed brought forward two significant new producers, the Algerian Sahara and Libya; but Libya has joined OPEC, and unless it feels it can do better out of preferential imports into the common market one can only expect that Algeria will too. The economic effect of this investment, in maintaining surplus capacity for oil outside the established areas of production, may remain significant in world bargaining about oil prices; but whether the new capacity can be counted on as much more secure for Europe than Middle East oil is doubtful. And the only alternative source of cheap oil, Russia, seems even more insecure to European planners.

SOME people, in both producing and consuming countries, have long argued that this shifting balance of bargaining power needs a world commodity agreement. The international companies, whose power to manage this market with stability has admittedly been somewhat eroded, believe that the bargaining should continue to be conducted with them, in market terms. The European planners, so far, agree; and it is notable that OPEC, in its first positive attempt to change the oil deal, is negotiating with companies about increasing its members' take from the oil market, not trying to go over the companies' heads to control the market in some new way. On balance, considering the political implications of naked government-to-government bargaining about anything so vital to the economies of both Europe and the OPEC countries as oil, that seems worth going quite a long way to avoid.

The price of avoiding it, sooner rather than later, may possibly be having to guarantee these primary producers with bargaining power what the West often talks about giving other primary producers—relative stability of their unit income from production. For some years now *The Economist* has argued that some formula that would go towards stabilising the host governments' revenue per barrel of oil, while allowing market freedom for prices to be adjusted realistically, must eventually be found and therefore can be found. It would not satisfy all the aspirations of OPEC, and it might well go much farther than many oil companies believe would be justified. It would again remind Europe that over the years the oil suppliers' bargaining power will not fail to be exercised; and perhaps lead the common market's energy planners to re-examine their own power and safeguards, now and for the future. But some such formula might eventually provide a new basis for the steady development of this low-cost oil without too much bickering, as the gold royalty did in the thirties and 50:50 did in the fifties. No formula lasts for ever; but by the seventies there may be other factors—even nuclear—setting a *prix d'orientation* for competitive European fuel.

BUSINESS NOTES

IN THE MARKETS

Gilt-Edged Sell Out

AFTER Mr Maudling had finally unwrapped his package at the Mansion House, it was seen to contain less than some of the optimists in the stock market had hoped. Their anticipations had led to a brisk rally in equities which carried *The Economist* indicator up by 8.7 points to 333.8 by the close on Wednesday. The market remained thin; but the earlier fall on Wall Street did not deter the Maudling optimists and its subsequent rally spurred them on. Their disappointment on Thursday did not, however, plunge the market into gloom. More sober minded investors had always recognised the limits within which Mr Maudling had to operate and their minds were therefore already in tune with the idea of a stage by stage approach to re-expansion. They were prepared to pay due regard to the more cheering parts of his analysis but, equally, they still saw the need for caution in assessing the future strength of the economy and, hence, of equities. The market's immediate reaction was therefore pleasure that something, however small, was being done, accompanied by an acknowledgment that Mr Maudling's measures as they now stand do not provide any grounds for a strong rise in equity prices.

Any feelings of let down which may have been felt in the equity markets entailed, in the same measure, relief for gilt-edged—for a large reflationary stimulus, in so far as it did not revive fears of inflation or balance of payments trouble, would imply a sharply improved prospect for equities—and would thus remove the big negative attraction which stands behind the great gilt-edged revival. The advance in bond prices has not surprisingly slowed down somewhat this week, following the hectic rise of the previous fortnight. But there has been no check to the market's appetite for stock. On Thursday a new milestone was reached. A government cash issue, of £100 million of Treasury 4 per cent 1965, was, for the first time since 1948, genuinely subscribed by non-official funds and a little oversubscribed: lists closed after ten minutes and it was later announced that applications for over £200,000 were being scaled down to 82 per cent.

The banks, certainly, have been prominent among applicants, even though they are now prepared to take rather longer maturities. A typical attitude is to earmark part of the coming release of special deposits for the new stock and the rest for the 6 per cent 1972—the division depending partly on assessment of likely demands for advances over the next few months. Withdrawal of the official request for lending

restraint is not expected to have spectacular results though the easier availability of bank credit, even before this formal relaxation, may itself lie behind some of the recent activity, not to say speculation, in the gilt-edged market. The eighty-fold oversubscription of Hendon's issue last week resulted in an opening premium of over four points, the highest that most dealers can remember.

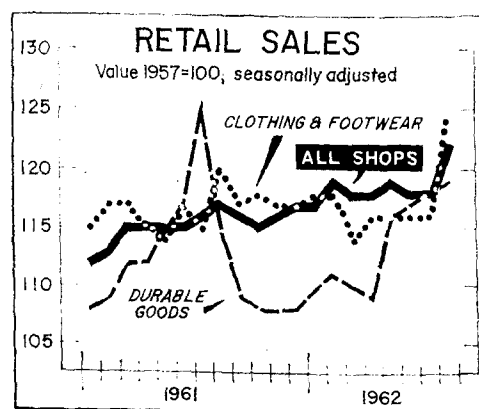
The new government issue—which is also being made available to holders of maturing Treasury Bonds 1962, that is predominantly the government broker—kept conspicuously clear of the medium dated area, which has seen the most spectacular rises in recent weeks. The issue thereby gave stocks in this section a further boost. It also kept the way clear for another corporation issue, of £15 million by Liverpool, timed for the day after the government's short bond issue. Liverpool's 1971-75 stock is again at a 5½ per cent coupon but the price has been raised to 99½. That this is actually half a point above the issue made by Manchester a month earlier on a coupon of 6 per cent is a reminder of the market's remarkable pace.

Issues by local authorities and other gilt-edged borrowers beside the British Government have now reached nearly £200 million since the beginning of the year. The government itself has sold £300 million of the 1986-89 maturity; £400 million of the 1967s; some part of last month's issue of £500 million of 2008-12s; and now £100 million in cash of 1965s. Against these sales the Government broker has taken in much of the 1963 maturities as well as this November's. But net funding sales in the two quarters to mid-June are officially given as £267 million, and the real surge has occurred since then—just when it is least needed.

CONSUMER SPENDING

Going Ahead?

THE August retail trade results provide the first indication, and still not a very substantial one, that Mr Selwyn Lloyd might not have been talking through his hat when he foresaw an increase of 4 per cent in consumers' real expenditure from start to finish of the current fiscal year. The Board of Trade's seasonally adjusted monthly index of total retail turnover, which accounts for about half of all personal spending, went



up some 3 to 3½ per cent in both value and volume, the biggest monthly rise so far recorded. The board, however, is increasingly nervous about these estimates; after its bad shot in July not only has it abandoned its attempts to provide an early provisional estimate but it is falling over backwards to emphasise the margin of uncertainty in its seasonal adjustment of the final figures. "It is more appropriate in considering the underlying trend of sales," the board warns, "to combine two or more months' figures." Even so, it is clear that trade has perked up. The seasonally adjusted index of the value of sales for July and August taken together was 120 (1957=100), compared with 118½ for May and June combined and 118 for March and April combined; the corresponding index numbers of the volume of sales were 111½, 110 and 110½ respectively.

The clothing trade seems to have done especially well in August, although it remains to be seen whether this reflects more than the fact that shoppers, despairing of summer, started their autumn clothes-buying earlier than usual. Suspiciously, the Board of Trade's seasonally adjusted index for clothing and footwear shops went up to a peak in August last year, which was not in sight again until this August. (Seasonally adjusted?) A less buoyant picture shows the volume of this business in August only about half of one per cent greater than a year before. Food sales seem to have jumped in August, but the continued upward trend in the trade of durable goods shops was very gentle indeed. On the credit side of this business, there seems to have been little underlying change since the higher level reached after the reduction in minimum deposits at the beginning of June.

Outside retail trade, the hire purchase statistics provide an indication of car sales. New credit extended by finance houses, a large part of which is for cars, was lower in August than in July, "but probably not to a greater extent than was to be expected from seasonal influences." In September, according to Hire Purchase Information, the

decline in car business was less than last year and, for the second month running, appreciably more car contracts were taken out this year than in the corresponding period last year.

RAILWAYS

Paying Inside Europe?

HISTORICALLY, the most important effect of this week's railway strike has been perhaps that it brought Dr Richard Beeching to commit himself in public to the belief that British Railways, when rationalised, can be made to pay. Dr Beeching has never discouraged other people's hopes that the stripped-down system that he plans to carve out of the present rail network could in time steer the railways out of the red, but in public and in private he has always until now emphasised that his own mind was no more than open on the point. It will have taken more than the political pressures of a railway strike to make up his mind; but it was certainly the strike that brought him on to the public platform of the press conference in which he finally came out with this new confidence.

This characteristically cool assessment, however, presumably builds on the commercial freedom that British Railways have now been given to discriminate between customers in order to hold or secure business. In Luxembourg this week, Mr Edward Heath will have heard the reactions of the European Coal-Steel Community to his suggestion that this commercial freedom, which the ECSC treaty precludes for coal and steel transport, should be retained here.

Mr Heath suggested in July that instead of the strict transport rules of the ECSC, which require publication of full rail rate schedules for coal and steel and no departure from them to meet particular cases, Britain should comply merely with the transport policy rules that the European Economic Commission may, eventually, succeed in framing for all freight transport in the common market. These will probably be looser than the ECSC rules; they should in theory apply to all hauliers for hire, not simply the railways; besides, they may never come. But it seems doubtful whether ECSC will consent to relax one of the rules that it considers essential to its present pricing system, and which a recent European Court decision has enjoined upon the Dutch who were trying to avoid complying, simply for the convenience of British Railways. Rail policies that might pay in a purely British context, therefore, may not necessarily fit the wider future within Europe.

Strikes Sometimes Win

PARIS
FRENCH railways last week faced a showdown with their customers, not with railwaymen; and the customers won. A reform of freight charges had been

authorised for the whole of the country, effective October 1st; but protests and demonstrations in Brittany and the Massif Central persuaded the government to defer application of this reform to these areas—15 out of France's 90 départements.

This reform was a thorough-going revision of the tariff structure. Small packets, consignments of low tonnage, and shipments to be distributed among many recipients, will cost more to send; consignments by the wagon load or trainload will get bigger quantity rebates. A more pronounced taper with distance, again, is being brought into the tariff; and goods travelling over busy lines, level ground, or newly-electrified routes will pay less than those in mountainous, less frequented regions where steam traction will stay. Rather in the way that Dr Beeching plans in Britain, the object has been to push minor local traffic in the hills off on to road transport, but attract more of the freight traffic where rail movement can show a cost advantage.

Broadly, this revision of rail tariffs should benefit massive customers such as the steel industry; but it will put up transport costs for farmers. In detail, the incidence of advantage is less predictable. A steelworks in the Massif Central is at a disadvantage not only compared with its situation before October 1st, but even more so against competitors in northern and eastern France. The grower of cauliflowers in Avignon gains, while his counterpart in Saint-Brieuc loses. Regionally, it is hard to draw any clear balance.

The railways say this is a "swings and roundabouts" operation: the NF 150 million that they should gain from the one set of customers they would lose from the others. But it should help them to bring revenues more into line with costs on particular kinds of line. Customers who will have to pay the extra NF 150 million claim, as was to be expected, that they are already the most underprivileged section of the French economy.

Some moderation of the changes in tariffs, for hard-hit areas, had already been made; this did not stop demonstrations in Brittany and the Auvergne. The former Debré government had backed this reform, though the ministry of finance opposed it. But with the accession of M. Pompidou's government, a new minister of transport inherited the scheme from his predecessor, who had been the principal partisan of the reform in rates. Less committed to the revision in principle, the new government decided to yield, temporarily at least, to this political pressure from the regions.

WALL STREET

Still Uncertain

A correspondent cables:

EARLY this week the Dow Jones industrial average fell to 571 before a minor rally pushed it up to 578 on Wednesday. A few days earlier, some dealers in Wall Street had thought that a testing of the lows

touched in June was imminent; they now say that this has been postponed, if not completely avoided. The retreat was halted by slightly more cheerful news about the economy but the ensuing rally reflected a drying up of selling after many stocks had touched new lows rather than any renewal in buying. The market, it has been suggested, was just a shade too pessimistic earlier on and some dealers stepped in with hopes of making a quick profit while some institutions bought a few stocks for the long term.

Some groups of popular stocks, including office equipment, soft drinks and communications, are still selling on low earnings yields and would be vulnerable if a general sell-off of equities occurred. A mild recession, however, seems to be already discounted in many of the more basic industrial groups of stocks such as machinery, steel and railroads, where prices are well below their previous peaks. Wall Street, in fact, seems to be prepared for a mild softening in the economy and obviously some advance in prices could occur if this does not materialise. The market, it is thought, will continue to be dominated by the activities of professional investors. Private investors appear to have lost their appetite for equities and it would take a major shift in business conditions to bring about a reversal of their apprehensive attitude. Mutual fund sales to the public are still being watched closely and they seem to have fallen sharply in September, for the third successive month. Actual redemptions of units are still small, but a further decline in the sale of new units could have serious repercussions in reinforcing the impression that the general public is no longer interested in equities.

AIR FARES

The First Increases

THE promised increases in air fares have not been slow in coming. This week, British European Airways asked the Air Transport Licensing Board for permission to increase fares to the Channel Islands by amounts ranging from ten to 25 per cent. BEA lost money last year on all its domestic services, to a total of £2.7 million, and applications for fare increases on other domestic routes seem certain. What is surprising about this first application is the fact that it is supported by roughly a dozen other, smaller airlines operating to the Channel Islands, including what was, until its purchase by British United Airways, Jersey Airlines. This company has consistently made a profit at the old level of fares which have not changed since 1958, and some interesting talks must have gone on behind the scenes between British United and British European Airways before British United agreed to support BEA's application for higher fares. Without such an agreement the application could hardly have gone forward. What did BEA offer as a sweetener?

STERLING AND DOLLAR

On the See-Saw

TUESDAY'S gold figures showed, not unexpectedly, the first significant outflow of funds from London since the beginning of the year. Britain's central reserves of gold and convertible currencies fell by £20 million, dipping just below £1,000 million to £997 million. Some £7 million of the fall reflected drawings by three sterling area countries—Kuwait, Tanganyika and Sierra Leone—for their entrance subscriptions to the International Monetary Fund and the World Bank. The residual fall of £13 million follows a rise of £4 million (again in the adjusted figure) in August and a fall of £2 million in July. The net loss of £11 million in the three months is anything but large for the seasonally adverse third quarter; it follows increases of £64 million in the second quarter and £185 million in the first quarter.

Last month's outflow, which was broadly of the magnitude expected in the market and consequently brought no market reaction, was attributable not only to seasonal influences but also to the further strengthening of the dollar, which had begun in late July. This has brought bids for Euro-dollar deposits up to 4 per cent for three months' term, at which there is a clear advantage, on a covered basis, for switching back out of deposits in the London mortgage market. Movements of short-term funds have not however been large in either direction recently.

This week sterling has been steady against the dollar at just over its parity. On the Continent it has remained fairly firm on most centres. The mark continues to be supported against it, with the Bundesbank selling dollars at a rate raised to 4.0035 on Thursday; in Italy the dollar is now a little above its floor, helped by the ebbing of the tourist season; only in Paris is the dollar still at its lower limit. But in Switzerland this week the dollar weakened slightly, from \$4.32½ to \$4.32½. Dealers believe that this may be partly the result of purchases of Swiss francs by the American authorities to prepare for the unwinding of their swap arrangement, which matures in mid-October. But another influence has been the weakness of Wall Street. So far, this has not had any noticeable effect on the dollar elsewhere in Europe; but, if prospects for the American economy continue to deteriorate, it will be surprising if the recent revival of faith in the dollar continues undaunted. It was the sharp break on Wall Street in the spring that precipitated the intensive speculation against the dollar in June and July.

BOAC

Slimming?

THE nationalised air corporations usually publish their accounts in August; so far those for the British Overseas Airways

Corporation for 1961-62 have yet to appear, for reasons that will no doubt be explained when they are eventually made public. Reports meanwhile suggest a deficit running at between £15 million and £20 million with little sign of improvement; even at the summer peak the corporation's aircraft have been more than half-empty.

Some hint, however, has been given by the managing director about how the corporation may be trying to set its house in order without the obvious but painful cure of wholesale dismissals. Sir Basil Smallpeice is no Dr Beeching; he appears to be

MOTORS

French Comparisons

THE Paris Salon is still the most international of motor shows, one that British companies need to exploit if they are to establish themselves in the European market, let alone the French. All are present, if in some cases the representation seems more nominal than active; the only significant novelties are the Vauxhall Cresta, the MG 1100 and a new Rolls-Royce and Bentley—though the Morris 1100 and Ford Cortina are also making their show debut. And buyers can compare them with their chief European rivals, the Ford Taunus 12M, Opel Kadett, Renault R8 and Simca 1000. In France the Taunus and Kadett are the only foreign cars that will be competing directly with the Renault and Simca, for the Cortina will be sold in the four-door version with 1,500 c.c. engine—starting in the new year—while the Morris is priced well above the others at NF 10,450. The Simca costs NF 6,490, the R8 NF 6,900, the Kadett NF 7,250 and the Taunus NF 7,485. The only British car that can compete with these is the Anglia at NF 6,970, though the BMC Minis at NF 7,550 are popular in Paris.

Ford has had a remarkable success with the Anglia since it cut prices so drastically last year, and with the Classic proving popular as well, the company accounts for about 80 per cent. of British exports to France. In the first eight months of this year shipments more than trebled compared with 1961, reaching 23,500. Total

Vauxhall Goes Respectable

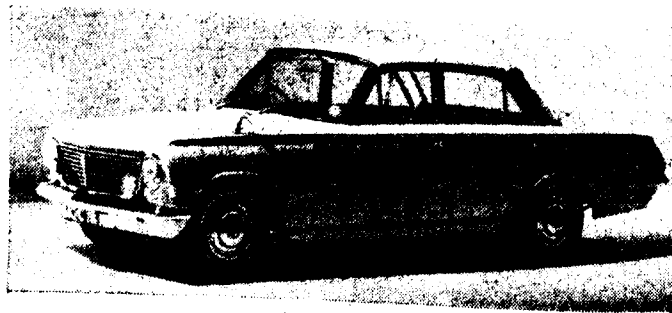
THE new Velox and Cresta might have been designed with the Ford Zephyr and Zodiac in mind: their body styling, so similar to the Victor's, aims the cars at just those buyers who might be repelled by the brashness of the Fords, while the interior has been planned to provide the rear-seat legroom in which the Fords are so deficient. And Vauxhall has not followed

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placing his faith on reducing staff through a combination of no recruiting and normal wastage. Since the beginning of the corporation's financial year in April, this has achieved a sizeable and commendable fall in numbers of 1,018 "below budget" (BOAC's normal complement is about 20,000). Sir Basil will have to ask himself very carefully whether, by thus following the line at least resistance, he can be certain that the right people leave the corporation and the right people stay behind; it could so easily be the other way round.

sales in France have risen by 25 per cent this year, perhaps to reach 900,000, encouraging sellers to believe that they have attained a breakthrough into the mass market, and making it a bigger market than the British. But Ford has only been able to gain this strong position by selling at a loss, and most other British companies are certainly not making a profit; so big and so near a market is, they think, worth losing money to get established in, with the hope that the common market will come into existence. When the home market persistently refuses to show the vitality of the French, the incentive grows; Rootes's decision to put 5,000 workers on to a four-day week is blamed in part on home sales falling with the autumn. But the company hopes it will soon get back to full-time working.

Getting dealers remains the biggest problem for British companies in France as in other European markets; until they have got good service facilities, new and used cars are difficult to sell, and until used British cars fetch good prices the cost of buying a new car is inflated by more than any direct price difference compared with the local makes. So there is an impasse which only Ford has so far broken, aided by its international connections: now that Fiat, the biggest importer, is in the market for a new dealer chain following the end of its dealer-sharing arrangement with Simca, the competition for dealers is getting hotter.



Ford in raising power output; the engine is almost identical with the old model, and the only changes that would affect performance are a slight saving in weight and a

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higher top-gear ratio. Otherwise this is an example of the American approach to design: put a new body on to proved mechanical components, so saving tooling costs—which is a significant factor where volume is relatively small, as it is with cars in this class. Despite the resemblance to the Victor, the doors are the only common parts: it is a wider and longer body.

Vauxhall has not raised prices much, though like its bigger competitors it is feeling pressure on its margins; the Velox costs £936, £7 more than the Zephyr, and the Cresta at £1,046 costs £34 less than the Zodiac. So it is well placed to compete at home and abroad with Ford: but it is still probably not a real competitor for a car like the Citroen in European markets—in France the Cresta costs 3,300 NF more than the DS 19, and it can only offer more top gear acceleration to offset conventional springing. A strong British challenger in this market is still to come.

PLASTICS

Carstillers?

ALL of Union Carbide Limited's interests in plastics and some of Distillers' are to be pooled in one company, jointly owned by Union Carbide Corporation and Distillers. The assets of the new company, whose name will be announced later, will consist of Distillers' 100 per cent holding in British Xylonite, Union Carbide's majority holding in Bakelite and its low-density polythene operations at Grangemouth.

This is a very mixed bag: the intention is to make a "broadly-based" company which will be in a "stronger position to meet the economic problems facing the world plastics industry today." The source of this strength will be vertical integration. Union Carbide makes about 30,000 tons a year of low-density polythene at Grangemouth; its subsidiary, Bakelite, makes thermosetting resins and 5,000 tons a year of pvc, and fabricates a wide range of plastic goods. British Xylonite has companies and divisions which make polystyrene and celluloid and fabricate a range of plastic goods—from pvc pipes to toothbrushes. Thus, the new company will be manufacturer of several plastics (though, of some, surely not on a large enough scale to be economic), and a fabricator with established outlets for a broad range of products. Several plastics manufacturers have done basically the same thing by forming associates with packaging companies to provide outlets for plastic film. But this is an altogether wider conception. It is also more chaotic, inevitably: the new company cannot want many of the interests it will have, let alone make use of them, and getting rid of them might be embarrassing.

Nor is the operation very neat. Distillers is left with far larger plastics manufacturing interests than it has lost: British

Local Financing—A Dutch Example

The Chancellor officially confirmed at the Mansion House that reform of local authority financing is on the way. Basic agreement is believed to have been reached; but wider consultations with local authorities are needed, and so is legislation to extend the lending powers of the Public Works Loan Board. This is envisaged around Easter 1963; the government will announce its decision before that, and probably also issue a white paper. At present, clearly, a partial return to the PWLB is envisaged, leaving scope and incentive for continued market borrowing. Some forward looking municipal treasurers believe that the market could play a larger role, and local finance retain greater independence from Whitehall, through a drastic consolidation of authorities into a few large regional borrowing units. In fact an interesting experiment in centralisation has in recent years been tried—in Holland.

Amsterdam

HOLLAND, too, faced a problem of excessive borrowing by municipalities in the short-term money market a few years ago: and the solution it adopted deserves to be considered by anyone who believes that the coming reform of the British system must inevitably throw the local authorities back into the arms of the Treasury. Gross floating debt in Holland had increased from Fl 346 million (about £34 million) in 1953 to Fl 901 million in 1956, while in 1957 it accounted for Fl 2,315 million, or more than 20 per cent of the total debt. The Government had to tighten its control on capital expenditure by local authorities and to overhaul its regulations over the permissible size of their floating debt and new borrowing.

Local authorities were requested not to carry out approved capital expenditure before the required long-term financing had been assured; the gross floating debt plus incurred capital liabilities, in so far as the long-term financing was not yet arranged, were not allowed to exceed 25 per cent of the ordinary budget revenue. Local treasurers were also told to adhere strictly to the 1948 maximum on interest rates paid on independent borrowings in the market, of 4½ per cent and 4¼ per cent for loans with an average maturity of 10-15 years and over 15 years respectively. At the same time, the Government came to the rescue in a number of ways. First, it gave direct Treasury assistance for building under the Housing Act. Secondly, it arranged a Fl 650 million 4½ per cent loan with a group of institutional investors, proceeds of which were passed on to municipalities most in distress by the Bank of Netherlands Municipalities (BNM). And thirdly, this bank was authorised to issue bonded loans bearing a higher interest—up to 6 per cent—than the ceiling rate. After 1957 local authorities rather quickly learned to live with the new circumstances; consolidation of the floating debt has progressively made headway and at the end of 1961 the gross floating debt had dwindled to only Fl 217 million.

The Bank of Netherlands Municipalities has played a predominant role in local finance since 1955 and has all the qualifications to keep its preponderant position as a financing house for local authorities. The bank was founded in 1914 and now has an issued share-capital of Fl 100 million, one half of which is held by the State and the other half by about 750 municipalities. The yearly dividend has been 7 per cent since 1954. The accompanying table gives an impression of how the business of the bank has developed:

BANK OF NETHERLANDS MUNICIPALITIES

End of	DEBTORS		CREDITORS	
	Fixed loans	Current account	Fixed loans	Current account
	Millions of Guilders			
1939	35	18	28	8
1949	129	64	121	30
1957	1,921	1,236	2,427	52
1961	6,674	121	6,486	233

The bank has no monopoly of local finance, either legally or in practice; local treasurers are free to go to the market direct, so far as market rates are below the ceiling rates. While in the years 1957-60 local authorities had to rely mainly on the BNM, for the greater part of 1961 market rates were competitive and BNM did about 55 per cent of the business.

NET PLACING OF LOANS BY LOCAL AUTHORITIES

	1957-1960		1961	
	(Mill. Guilders)	(%)	(Mill. Guilders)	(%)
Bonded loans	80	1.7%	21	2.7%
Privately placed loans	136	2.8%	367	47.3%
In the market	4,546	95.5%	431	55.4%
With BNM				

Net placings by the BNM amounted to Fl 5,018 million in the years 1957-61, of which bonded loans totalled Fl 2,529 million and privately placed loans Fl 2,492 million. The BNM never draws funds from the Treasury. The BNM also operates to a great extent in the money market and the short-term capital market; it takes deposits and short-term fixed loans, acts as cashier for nearly all municipalities, which brings in its train nice current account balances. Consequently it is in a position to adapt its loan offers to the needs of the local treasurers.

Hydrocarbon Chemicals makes high density polythene (12,000 tons a year capacity), British Geon makes pvc (50,000 tons a year) and British Distrene makes polystyrene (the plant capacity has not been revealed).

Minority shareholders in Bakelite are being given the opportunity to sell their shares: Morgan Grenfell has offered 50s. 6d. for each of the 1.7 million shares not owned by Union Carbide—more than ten shillings above the market price. The

advantages of having complete control of a subsidiary are patent, and it can be assumed that both Union Carbide and Distillers will be happier if the offer is accepted.

Nearing Take-off?

DISTILLERS has announced its intention of entering what is an entirely new field for it—acrylics. Part of the grand design is the production of thermosetting

paint resins by a Distillers subsidiary, British Resin Products, which will make a range of resins under licence from Pittsburgh Plate Glass. From these, paints of different hardness and flexibility can be made. Styrene Co-Polymers also holds a licence from PPG to make the resins.

Three sorts of acrylic paints can be made: thermosetting, airdrying and emulsion. The thermosetting paints cross-link on heating and are tough and proof against staining; they adhere well to metal and can be applied in one coat, instead of the normal primer and topcoat. They are therefore used on domestic appliances, where resistance to detergents, butter and tomato sauce is important. Sixty per cent of the washing machines made in Britain are painted with acrylics. The proportion would be higher except that one-coat finishes show up imperfections in metal surfaces which a well-rubbed primer will fill.

Domestic appliances will account for most of the paint market at first, but producers do not expect it to form more than a small part of the final market. The motor industry is a juicy plum that dangles before them, and has dangled for some time. It may at last be ripe enough to fall: Fords has recently tested samples from several manufacturers and may use acrylics on a production line sometime next year. If it does, the market for these paints will be trebled at a stroke. An airdrying paint (based on methacrylates) has been used by General Motors in America for several years. Vauxhall Motors, its British subsidiary, has also been examining samples of this type. Airdrying paints have the advantage over thermosetting paints of not having to be baked at a high temperature. Both give a hard, glossy film which is easy to touch up. This is more important to manufacturers than it sounds: Ford sends forty per cent of its cars back for retouching.

Manufacturers expect acrylates in paints finally to account for perhaps a fifth of their sales; Distillers looks forward to new uses for these products in chemical synthesis. But acrylates will only form a small part of total "acrylics" sales; acrylonitrile, for synthetic fibres, is by far the most important acrylic. Distillers have developed a process for making both acrylates and acrylonitrile, from which acrylates can be made from propylene. Faced with whether to build one plant or two, Distillers seems likely to make acrylonitrile, for which there is a large market, and use this for making the acrylates as already announced.

BUDGET ACCOUNTS

On Schedule

AT the mid fiscal year on September 30th Britain's budget accounts were remarkably close to schedule—which is no sure sign that they will finish up that way.



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BUSINESS NOTES

SIX MONTHS' OUT-TURN
(£ million)

	April 1, 1962	Change on April 1, 1961	Expected change in full year on 1961-62 out-turn
Revenue:			
Income tax.....	846	+ 58	+ 63
Surtax.....	48	+ 5	+ 36
Death duties.....	130	+ 3	+ 2 1/2
Stamps.....	48	+ 3	+ 2
Profits Tax, EPT and EPL	202	+ 24	+ 39
Total Inland Revenue	1,273	+ 81	+ 66 1/2
Customs and Excise...	1,328	+ 53	+ 135
Motor duties.....	49	+ 18	+ 9
Other revenue.....	92	+ 44	+ 58
Total Ord. Revenue..	2,742	+ 108	+ 152
Expenditure:			
Interest on Debt.....	344	- 53	- 111
Sinking Funds.....	20	+ 1	+ 1
Northern Ireland.....	45	+ 4	+ 3
Miscellaneous.....	4	Nil	- 7
Total Cons. Funds...	413	- 48	- 114
Supply Services.....	2,678	+ 162	+ 243
Total Expenditure...	3,091	+ 114	+ 129
Above-line balance*	-349	- 6	+ 23
Net Below-line Outlay*	-160	+ 188	+ 114
Total deficit*	-509	+ 182	+ 137

* In second and third columns (+) means reduced deficit or increased surplus.

Receipts of income tax, with less than one-third of the year's revenue collected, have already risen by almost the whole of the (unusually small) increase of £63 million expected in the full year. Total inland revenue indeed has risen by £81 million, already exceeding the rise of £66½ million budgeted for in the full year. But offsetting this is an apparent lag in customs and excise, up by £53 million in the last six months compared with a budgeted increase of £135 million. The slackness of sales of durable goods may have been one influence here, together with a fall in tobacco sales in the spring and early summer in reaction to the physicians' report—though the latest reports from manufacturers suggest that tobacco sales may now be reviving.

On the side of budget expenditure, debt interest is lower by almost exactly half the estimated full-year fall of £111 million, while supply spending, up by £162 million, is as usual rising at rather more than the budgeted pace. The rise in expenditure has been a shade more than the net rise in

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revenue, so that the above line balance on September 30th showed a marginal deterioration of £6 million—compared with a budgeted improvement of £23 million. Outlays below the line were very sharply down, but this appears to have been attributable to chance variations in timing of some large capital repayments by nationalised industries.

HOUSING

Mortgages on What?

THE Co-operative Permanent Building Society provides the only regular statistical information available in Britain about the market in houses, with its indices of house prices; two years ago it supplemented this with a useful "cross-section" survey of the people who buy houses. It has now, even more usefully, produced a cross-

may look odd to the man in the street, but experts would hardly unduly worry about this so long as the terminus is a centre of consumption; many inland refineries are being developed in Europe. But the twelve provinces which would be Puertollano's potential consumers, are, with the sole exception of Madrid, amongst the poorest and least industrialised provinces of Spain. Madrid, the great asset in this block of provinces, would be a consumer of lighter rather than of the heavy products that constitute the bulk of this refinery's output.

One reason quoted by INI in favour of Puertollano is the use to which the existing installations could be put, but it seems doubtful whether a small oil shale installation would be very useful for a crude oil refinery of ten times the size. This expansion of refinery capacity, if it really is necessary, might also be achieved at half the price by extensions on existing Spanish refineries. Some radicals are even in favour of scrapping the entire oil shale plant: they can point out that several oil shale refineries have been closed down as uneconomic in other countries in the recent past. They also cite INI's own estimate that total shale deposits were 100 million cubic metres, containing some 10 to 12 million cubic metres of oil—theoretically, Spanish consumption in barely 24 months.

But here the human element creeps in: it is believed that in the course of years well nigh pesetas 4,000 million have been pumped into a failure. And nobody in this world is very keen on admitting that he has blundered. A couple of years ago a Madrid paper joked about the "Taj Mahal of the INI," but there may still be time to reconsider a project which, because sentimentally top-heavy, is economically risky.

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section of the kinds of house that it sells, which incidentally shows the kind of sample on which its indices are based.

Of the 6,735 houses which the society helped finance the purchase in March-June this year, just over 4,000 or 60 per cent cost between £2,000 and £4,000; 28 per cent less than £2,000; 8 per cent between £4,000 and £5,000; and only 4 per cent over £5,000. This may well be typical of building society mortgages; and whether or not it touches much on the recent experience of readers of *The Economist*, it is probably not biased downward as far as all that. This distribution is for all the houses mortgaged with the society: of its new houses the proportion between £2,000 and £4,000 was 77 per cent, though the proportion over £5,000 was no higher. This presumably reflects the workings of the society's managerial limits. So may the low proportion of flats and maisonettes among the dwellings purchased with the society's mortgages, 6 per cent. But the predominance of the semi-detached house—37 per cent of old and of new houses in this sample—certainly reflects social habits in a property-purchasing democracy.

CHEMICAL INVESTMENT

Still Hoping

THE chemical industry is basically optimistic in spite of the over-capacity, falling prices and reduced profits that many companies reported last year. This is clearly shown by the survey of capital spending in chemical process industries published last week by *Chemical Age*. It estimates that plants completed in 1962, currently under construction or planned for future building are worth between £350 million and £400 million; this compares with £250 million to £300 million last year. The estimate is rather a blunt instrument: completion dates range from 1962 to 1964, and for two plants 1966. But the trend is undeniable and a large part of the investment is still in the fields of fertilisers and petrochemicals, in which there is still most surplus capacity and keenest competition. The survey includes £58 million for oil refineries, of which most is accounted for by the £30 million refinery planned by Regent. The gas industry is surprisingly high on the list with £22½ million, of which nearly £16 million will go to build the two Lurgi gasification plants, in Scotland and the Midlands. This item is unlikely to be increased next year: the same job can now be done for perhaps £3½ million, using the latest oil gasification plants. Coke ovens and coal chemicals plants are to have nearly £8 million spent on them—none of it by the Coal Board. (Indeed, Lord Robens has said of coke ovens that he does not see the Coal Board ever building another one.) Another apparent intruder, but a vital part of the future chemical industry, is the £17 million to be spent on pipelines, which

BUSINESS NOTES

includes the Gas Council's methane pipeline (£9 million).

Investment in chemicals proper is led by fertilisers (£54½ million) and petrochemicals (£53½ million). Dyes, pharmaceuticals, synthetic fibres and synthetic rubbers together amount to £46 million; the bread-and-butter heavy chemicals only attract £22½ million. This has been the pattern of chemical investment for several years now. Not only is it more attractive (it is certainly more fashionable) to invest in petrochemicals, which are most in demand, ultimately, in consumer markets; it is also more expensive.

ATOMIC ENERGY

Atomic Power and Atomic Safeguards

ECONOMIC prospects for nuclear energy are improving: both the experts of the OECD's European Nuclear Energy Agency, and of the International Atomic Energy Agency in Vienna have reported "cautious optimism" about the competitive prospects of nuclear power although OECD added "a certain caution is still called for in calculating the cost of nuclear energy." The question that has been asked repeatedly by the Vienna agency, and was asked again at its recent annual meeting, is whether the spread of nuclear power stations is going to mean, inevitably, the spread of nuclear weapons.

"Nuclear power reactors," said the director general presenting his report, "will gradually become very widespread all over the world... this means that fissile material will be produced in considerable quantities in the late 1960s outside the present big nuclear countries. If, and I underline if, member states want to have a safeguards system applied to reactors serving peaceful purposes, it goes without saying that such a system must be developed and accepted for application to nuclear installations from now on when the number of installations is still small and the growth rate also slow."

A "safeguards system" simply means an arrangement to see that fissile material produced in nuclear power stations is used to produce more power and not diverted to military use—the difference, perhaps, between Bradwell and Calder Hall. Countries that supply fuel, like Britain and the United States, usually write such a proviso into the contract; but under pressure of competition, as intense, for example, as the competition to build a nuclear power station in India, it is not at all clear that the line will always be held. India is refusing to sign safeguard agreements; the Russians, at Vienna last year, supported India's refusal, and it seems more than likely that the United States will eventually supply the power station on India's terms. If this is done, no country will ever be able to insert "safeguard" clauses in a fuel contract again. The Vienna agency has offered to do

so for them, and to act as an international nuclear fuel clearing agency, so far with no avail. Hence the despairing note in Dr Eklund's report; he knows only too well that his warning will be ignored once again, yet it seems a pity that it should be.

SOUTH AFRICA

Money Market Appraised

THE peculiar mechanism of the London discount market has seldom been transplanted successfully abroad, and in London itself the discount houses have never been wholly confident about their continuing ability to justify their existence as circumstances change. But in South Africa, where the monetary authorities deliberately set out to organise a specialised money market after the war, the venture has been outstandingly and unexpectedly successful. This is the conclusion drawn by Mr Wilfred King, editor of *The Banker*, in a careful assessment of the market in the September issue of *Optima*, published by the Anglo-American Corporation—which through its subsidiary Union Acceptances formed the first private concern in the South African money market six years ago. The existence in South Africa of giant international corporations with large liquid funds which can be freely switched to world centres such as London has been the special factor favouring a specialised money market in South Africa. It has enabled the money market to attract funds larger in size in relation to national income than those of Lombard Street—even though the commercial banks until recently supplied only a tiny fraction of the market's liquid resources. These have come

SPANISH OIL REFINING

Rebuilding the Taj Mahal?

Madrid

IN the past fortnight conflicting reports about international tenders have been creating some confusion about the Puertollano project in southern Spain, where the state trust INI (*Instituto Nacional de Industria*) wants to convert a shale oil refinery with a capacity of only 125,000 tons a year into a crude oil refinery with ten times the throughput, plus a sizeable petrochemical plant. First it was announced in Paris that the INI company concerned, Calvo Sotelo, had made a NF.350 million deal with an investment group CIAVE-Compensex, which implied that most of the equipment would come from French firms.

It appears that INI was not too pleased by this announcement. First of all it allowed news to leak out that the 177-mile pipeline from Malaga to Puertollano had been awarded to the Italian Soc. Nazionale Metano Dotti, which was "expected to complete the laying by the end of 1963." As to refinery and petrochemical plant, it was hinted that talks were still going on with Imperial Chemical Industries; that an engineering project had been sent to Montecatini; that the much discussed contract with Phillips Petroleum was simply awaiting authorisation by the Spanish Government; and that the CIAVE agreement referred simply to the financing of the Puertollano project.

This Puertollano scheme has never been very popular with Spanish economists. It is held responsible for Spain's late arrival in the petrochemical market, at a time when, at least in some sectors, production is already reaching over-capacity in the United States and the rest of Europe, with

some markets near saturation. If the two petrochemical projects proposed by Standard Oil of New Jersey and Shell in 1959 had been accepted instead of being bluntly turned down in favour of the INI application, two large plants would have gone on stream about a year ago. As it is, even the final decision on the INI venture still hangs fire.

So much for petrochemicals. The refinery project has been widely criticised for other reasons. Spanish consumption of oil products was 5,500,000 tons in 1961, against an annual average over the previous five years of 5,100,000 tons. Processing capacity, however, has already reached 11 million tons per annum in the two existing refineries of CEPSA (Teneriffa) and REPESA (Escombreras/Cartagena), the latter a joint venture of INI, Caltex and CEPSA. The two new plants authorised for Ohio Oil and for Puertollano will raise annual capacity to roughly 14 million tons, though consumption is not expected to reach more than 8 or 9 million tons in the next five years. Moreover, in the two decades since 1940, Spanish consumption of fuel oil has risen five times, and of gas oil ten times, but gasoline consumption is little more than double that in 1940. Oil demand, therefore, is unbalanced.

Most experts, moreover, were surprised to learn that both plants, petrochemical and refinery would be put at Puertollano. The crude line from Malaga (where the port, too, will need dredging and modernisation in order to admit large tankers)

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board when it was required to meet in full session.

The chief secretary, it is envisaged, would also be the chief executive of the board, and would report about its activities to Parliament as and when required. He would also be able to initiate (through the Solicitor-General who would be acting as his parliamentary secretary) prosecutions in the courts for breaches of wages council orders or of a registered collective bargaining agreement; this, be it noted, would not change the present law of breach of contract, but it would mean that breaches would be taken to court by the Solicitor-General, instead of simply by the employer or union member. Finally—and this is an important part of the plan—the chief secretary would have the right, in certain specified industries, to suspend a lockout or a strike for a cooling-off period of, say, two or three weeks while attempts were made to get the dispute settled by the parties round the table.

This last proposal is one borrowed from the United States—where the cooling-off period, by presidential order, can be as long as 80 days; it was also a proposal that was given a try-out here by Mr Ernest Bevin when he was Minister of Labour in Mr Churchill's wartime government (Mr Bevin favoured a cooling-off period of 21 days between the threat of a strike and its actual start). During the cooling-off period, the Conservative backbenchers argue, the parties might agree to put their case to a board of inquiry sitting in public; or to appoint a joint working party, under an independent chairman, to draw up a schedule of claims and concessions already agreed and to analyse the differences between them; or they might accept the services of the chief conciliation officer to the board.

The chief conciliation officer would be appointed for a term of years, and he would be responsible for conciliation procedure. If he thought that a stoppage was likely he could offer conciliation on his own initiative or through his deputies in Scotland and Wales. At the request of the parties he could refer the dispute to a panel of 3 or 5 independent persons—in which event there could be no stoppage of work until attempts at conciliation had failed, and even then only after an agreed period of notice in writing. The chief conciliation officer would also have under his charge the office of the wages councils; he would collect nominations from employers and unions for appointments to the various panels of conciliators and wage councils; and he would be responsible for the conduct of trade union ballots and the announcement of the results. He would report regularly (say, in the *Ministry of Labour Gazette*) on any action he had taken in a particular dispute; and would advise upon and publish model codes of procedure for collective bargaining and conciliation.

The industrial court would be a branch of the labour relations board: and the Lord Chancellor, as a member of the board, would appoint the president of the industrial court, who would have much wider powers than under the existing legislation passed in 1959. He would take over many of the duties which now so often embarrass the Minister of Labour. For instance, it would fall to him, in his independent judicial capacity, to appoint the members and determine the terms of reference of public boards of inquiry; and to review wage council decisions and to make wage orders arising from them. At the request of the parties, he would have authority to interpret (but not to vary) any terms in a collective contract: there would then be no appeal against his findings, except to

the High Court on points of law. He would have power to send for papers and persons and to appoint spokesmen (as in a dock brief) for parties who could not afford to pay counsel. He would report to Parliament any unusual provisions in collective agreements brought to his notice by the registrar.

The Registrar of Friendly Societies (the third of the principal officers of the board of industrial and labour relations) would also be given many additional duties. He would have authority (on the request of a substantial number of paid-up members) to inquire into the affairs of the conduct of a trade union or employers' association and to publish his findings. He would keep a record of paid-up membership, not only of unions but also of associations of workers, foremen and shop stewards that are not necessarily qualified to be registered as trade unions. He would keep a register of collective agreements filed by one of the parties: of wages council decisions, and of agreements of national scope which might by law require to be filed. He would issue copies (for a fee) and allow inspection (on a search fee) of rules, accounts and reports of a union or association submitted according to law. In particular, he would make available not only the decisions of the industrial court or of an arbitrator, but also the demands and offers of the parties on which a decision was based.

Our Comment

THE ECONOMIST is happy to publish this report of what some Conservatives are thinking: among other advantages, it might have the merit of provoking trade unionists who (as their reaction to the national incomes commission has shown) could conceivably thus be egged into producing their own ideas about a wages policy. But, in our view, both sides are in danger of directing their thinking down some totally wrong alleys. The trade unions are getting it wrong because they think that proposals such as this would diminish their power to keep wage inflation rattling along; one of our complaints against these proposals is precisely that they wouldn't. The Conservative backbenchers seem to us to be getting their emphasis wrong because they tend to exaggerate (and misinterpret) the advantages of present American labour legislation, and of some new ideas along the same lines that are being considered by the American administration.

Fundamentally, those who favour proposals of this sort seem to us to make the mistake of believing that what is wrong with British industrial relations is too many official strikes. In fact the main thing that is wrong is the habit of employers and arbitrators, when faced with the threat of such a strike, of reaching an inflationary settlement. It is difficult to see why the extension of the system of tripartite conciliation suggested above—with panels of possible members of boards nominated by trade unions and employers' organisations—would diminish this misfortune; it might increase it.

There is, admittedly, a second and separate thing that is wrong with British labour legislation today: there are insufficient public safeguards against occasional sharp practice or anti-libertarian acts by trade union officials, some of which can be malpractices by those officials against union members themselves. In recent years all political parties have tended to shy away from reforms on this second front, on the false view that legislation which might annoy trade union officials would

Continued from page 142

lous Second Congressional District (Mrs Pfof is conceded to be invincible in the First, northern, district, which she has represented for ten years) and on the fact that their candidate, Senator Jordan, was Governor from 1950 to 1954. He is thus known all over the state and has had time to outlive any enmities he incurred while in office. He also has the advantage, for what it is worth, of having been appointed by Governor Smylie to fill the seat of Senator Dworshak, whose death in July explains the occurrence of two simultaneous Senate elections.

Old Ties to Silver

NEW YORK

ALTHOUGH speculative activity in silver has been intense, there is no doubt that the metal has lost its old political glitter. Congress is adjourning without giving any consideration whatsoever to the Administration's requests for changes in the laws affecting silver. The fact is that the metal is no longer an issue, politically or economically, even though its price has soared since President Kennedy directed the Treasury, late last year, to suspend its sales of "free" silver—the stock not needed for the coinage or as backing for currency. In less than a year and at a time when the price of most other commodities was falling, silver rose from below 93 cents an ounce to over \$1.21. Recently, the price has dropped, partly because of speculative profit-taking, partly because of fears that the Treasury would re-enter the market and sell silver in order to maintain orderly conditions. The Treasury will remain an important factor in the market until its special relationship with silver is finally severed once and for all by Congress. This may happen next year but it is far from certain.

Last November, when the President suspended sales of silver because the heavy demand, largely for growing industrial uses, threatened to deplete the Treasury's stocks, he requested Congress to repeal the silver purchase laws; these require the Treasury to buy all newly mined domestic silver offered to it at a price of 90.5 cents an ounce. He also requested power to withdraw from circulation all Treasury \$1 silver certificates and to replace them with Federal Reserve notes, something he had already ordered to be done for all \$5 and \$10 silver certificates. These moves would end the official floor under the price of the metal, something which has usually been opposed by the silver mining interests in the western states. But their traditional noisy opposition was not forthcoming because silver is fetching such a high price in the market. The real complaints about the price of silver are beginning to come from industrial users in the East, who feel that they are being victimised. The Treasury has said nothing but it is anxious for early action.

If the Administration gets its way the Treasury would continue to issue coin and would buy the necessary amounts of silver at the prevailing market price, but the Federal Reserve System would be responsible for issuing all paper money. This would simplify a somewhat confusing monetary arrangement in which two agencies, the Treasury and the central bank, are jointly responsible for issuing paper money. In addition, the change would save money by making available for coinage the bullion which must now be held as backing for silver certificates.

Substituting Federal Reserve notes for silver would have an adverse effect on the country's "free" gold supply. Federal Reserve notes must be backed by a 25 per cent reserve of gold certificates. The substitution would thus require a substantial increase in gold certificates to back the existing supply of currency. But there has been no suggestion that worries about further drains on the declining stock of gold had any part in persuading Congress to hold its hand. On the contrary, while it is recognised that silver has had its day, there is a certain reluctance to celebrate the last rites, particularly when the matter does not seem urgent.

The present silver laws reflect the economic concepts of a bygone era. They go all the way back to the period after the Civil War, when deflation-plagued debtors linked arms with the hard-hit silver miners in an attempt to force Congress to re-institute free and unlimited coinage of silver. Nevertheless, prices of commodities continued to fall until nearly the end of the century; farmers had to pay off mortgages which had been incurred when maize was selling for \$2 a bushel with receipts from maize selling at 77 cents a bushel. The hardships created were abominable and a cry went up for reflation—for raising commodity prices—by increasing the supply of money relative to the supply of goods. If gold was insufficient to provide the needed monetary expansion, the argument ran, then supplement gold with silver. There had always been a silver tradition in the United States and in the late eighteen-nineties it had the emotional appeal of a panacea for the economic ailments of the day.

But the debtor and silver interests were never able to persuade Congress to allow free coinage of silver, although between 1878 and 1893 various laws were passed calling for the purchase of silver in varying prescribed amounts. In 1900 the United States went on a pure gold standard, silver being purchased only for subsidiary coins. Silver did not go down without a fight. In the nineteen-thirties Congress, under pressure, adopted the Silver Purchase Act of 1934 as part of its programme to mitigate the depression. Once again the Treasury was required to buy silver at fixed prices, even though it had no use for the metal. This requirement is still on the books, although it is generally recognised that the purchase of silver would be of infinitesimal value in fighting a recession. But it will take more effort than the Administration has yet applied to overcome the passive resistance to breaking the tie to silver.

SHORTER NOTES

Last week the *New York Times* became in fact what it has long been in practice, a national newspaper, when it began publishing a western edition. Printed in Los Angeles from type set by a machine fed by a perforated tape which is the duplicate of one coded in New York and transmitted across the continent by electronic impulses at the rate of 1,000 words a minute, the west coast edition, like the present European one, will be virtually the same as the New York paper; it will be distributed, mainly by post, in thirteen states, on six days a week but not on Sundays.

★ ★ ★

A strike which began over eight years ago and which cost the trade union involved over \$10 million has been settled at last by a one-year contract with the Kohler Company, which made plumbing fixtures—and continued to make them with non-union labour.

RETAIL BUSINESS SURVEYS

Prepared by The Economist Intelligence Unit Ltd.
in conjunction with Sales Research Services Limited

HOME DRESS-MAKING

A survey of garment-making in the home, including the use of sewing machines and paper patterns. Based on a quota sample of 2,363 women aged 15 and over; trade research and published data.

details from:

THE ECONOMIST INTELLIGENCE UNIT LTD.
5, Bury Street, St. James's, S.W.1. WHitehall 0353 Ext. 118.



Fairey

Mr. G. C. D'Arcy Biss

reviews a momentous year

Estimated profits exceeded: Board's well founded promises

The annual general meeting of The Fairey Company Limited will be held on October 25th at the Abercorn Rooms, Great Eastern Hotel, London, EC2.

The following are extracts from the Statement by the Chairman, Mr G. C. D'Arcy Biss, which has been circulated to shareholders with the Report and Accounts for the year ended March 31, 1962:

The year under review has been one of the most momentous in the history of The Fairey Company Limited, if not the most vital since its foundation. I refer, of course, to the offer made on behalf of The Bristol Aeroplane Company Limited and Westland Aircraft Limited jointly to acquire the Share Capital of your Company, which offer your Board decided to advise Shareholders to reject.

You will realise that the decision of the Board to advise Shareholders to reject the offer was not an easy one, and that (inter alia) it involved your Board in making an estimate of the profits for the year under review and forecasting profits for the year ending March 31, 1963.

It is particularly satisfactory to your Board that the estimate of profits for the year under review has not only been met, but exceeded, and that therefore it has been demonstrated that the promises held out by your Board at the time were well founded and not rashly made in an attempt to defeat the offer.

After outlining the reasons why the offer was unsuccessful, the Chairman referred to the Board's Circular to Shareholders, dated 6th February, 1962, in which they forecast trading profits for the year under review of £700,000 before tax, and said that the comparable figure in the accounts was in fact £838,317. It will be realised that the profit estimate for the year under review and the trading profit figure quoted above both include profits of Siebe Gorman & Company Limited.

GREATLY IMPROVED RESULTS

The results for the year to March 31, 1961 suffered seriously from problems resulting from the sale of the aviation business and the re-organisation which had to be made in the Group, particularly in Fairey Engineering Limited. While it would be tempting fate

to claim that all our problems have yielded to treatment, it is satisfactory to be able to report that considerable progress has been made, resulting in greatly improved results for the year to March 31, 1962, as compared with its predecessor.

The biggest contribution to the Group profits has come from Fairey Engineering Limited, which is the largest company in the Group. There has been a considerable build-up of work in connection with the nuclear power station at Trawsfynydd. Last year a provision was made against the possibility of a loss on this contract, but it has not been considered necessary to do any such thing this year.

Sizeable contributions to the Group profits were also made by our Canadian company and Siebe Gorman & Company Limited. The latter company will not, of course, contribute in the future, following the distribution of its shares to the Company's Shareholders at the end of June this year. It is particularly gratifying to report profits from Avions Fairey, following the substantial losses made in the last two years. The main effort of that company during the year has been applied to the programme for building F-104G Super Starfighters for NATO forces. So far, however, this has involved a steady build-up of work in progress, deliveries having only commenced after the year end, and no profit from this programme has, therefore, been included in the accounts under review.

The other companies in the Group, namely our Australian Company, Fairey Marine Limited, Fairey Air Surveys Limited and the Tress companies, have also made their contributions to the Group results.

The Trading Profits, less Losses, of the Group, before charging depreciation, totalled £1,285,939, as compared with £484,911 last year. The profit after depreciation amounted to £869,559 as compared with £165,664, and the net profit attributable to the Company for the year amounted to £439,236 compared with a net loss for the preceding year of £60,783.

After reviewing the Group's current activities and contracts in hand, the Chairman said:

WEAPON DIVISION

During the year under review protracted negotiations took place with the Ministry of Aviation and the British Aircraft Corporation Limited as to the future of our Weapon Division, which has been located at Heston. The Government Policy of rationalisation of the aircraft industry required that the work on the Swingfire anti-tank weapon and other projects which our Weapon Division had been undertaking for the Ministry of Aviation should be transferred to one of the new Aircraft Groups. As a result, a new company, British Aircraft Corporation (A.T.) Limited, has been formed to take over this work, in which company we have a 50 per cent interest. The transfer of our guided weapon interests to this new company is now in operation, and we look forward with confidence to a profitable future with our new partners.

DIVIDEND POLICY

We are recommending a dividend for the year to March 31, 1962, of 15 per cent, less income tax, which agrees with our forecast made in February, 1962. If we redeem our remaining promise, and are successful in exceeding the profit forecast for the year to March 31, 1963, it would be your Board's wish to recognise that success by recommending an increase in the rate of dividend for that year.

The amount of any such increase would, of course, be determined by the measure of our success, and by the then future prospects of the Group, and of the National economy as a whole.

FUTURE PROSPECTS

However vital an issue the question of our entry into the Common Market may be to the Nation, we believe that the fortunes of the Group will not be adversely affected as compared with our competitors whichever way the decision may fall.

Despite caution in our expectations from our nuclear projects and the F-104G programme, we believe that, subject to unforeseen circumstances, we shall exceed the forecast of £650,000 made in February last as to the Group trading profit for the year ending March 31, 1963.

NIGERIAN ELECTRICITY SUPPLY CORPORATION

INCREASED SALES

The thirty-third annual general meeting of Nigerian Electricity Supply Corporation, Limited was held on September 28th in London, Sir Miles Clifford, KBE, CMG (the chairman), presiding.

The following is an extract from his circulated review:

From the Accounts for the year ended February 28, 1962, it will be seen that power sales, at £438,086, are up by 6.85 per cent and that income from all sources, at £456,770, is 7.54 per cent higher. Units sold totalled 89,110,637 as against 83,431,474 last year; an increase of 6.81 per cent.

Nigerian costs which include operating, insurance, rents, administration and general expenditure are also up—by 3.58 per cent—and overall costs amounted to £171,566 compared with £165,078 in 1961-62; much of this increase is attributable to wage revisions for our African workers.

Your Directors have thought it prudent to transfer £84,991 to depreciation, bringing the total under this head to £900,000 and to add £55,000 to General Reserve which will now stand at £400,000; taxation claims £77,323.

In my last review I forecast that non-mining demand might increase over the next ten years at the rate of 15 per cent per annum, or thereabouts; in fact, the increase during this past year was no less than 22.95 per cent of which normal load growth accounts for 10.35 per cent and the balance of 12.6 per cent reflects the coming into operation of the Embel Tin Smelter's first furnace.

I referred last year, as I have in previous years, to our perennial shortage of water and lack of reserve power and I am happy to inform you that we shall have gone a very long way to overcoming both these handicaps by the end of 1963.

Having referred to the industries which were expected to establish themselves on the Plateau in the near future, the Chairman continued: My own belief is that the Plateau, with its agreeable climate and good supply of labour, is a natural centre for industrial expansion; the only bar to this at the moment being shortage of water but the Northern Administration is tackling the problem energetically and I have no doubt that they will solve it. It is for this reason, too, that we are developing all our resources to meet the demands which may be made upon us.

This cannot be done without considerable expenditure. Capital Commitments outstanding at the end of the year are estimated at £908,000; this will be met by "ploughing back," as has been our custom, and by limited borrowing through the goodwill of our Bankers. Obviously this expenditure must be reflected in tariff revision—overdue in any event—and as an interim measure new rates have been introduced effective from April 1st of this year.

One word in conclusion. Never in its history has your Corporation been in better heart or better equipped to make its contribution to the development of Northern Nigeria with which territory it has been so long and so happily associated.

The report was adopted and a total distribution of 14 per cent (same) approved.

HACKBRIDGE HOLDINGS LIMITED

AN EXACTING BUT REWARDING YEAR

The Fourteenth Annual General Meeting of Hackbridge Holdings Ltd. was held on September 28th in London, Mr A. L. Foulger (the chairman) presiding.

The following is a summary of his circulated statement for the year ended March 31, 1962.

The year ended March 31, 1962, was an exacting, but rewarding year and under extremely competitive trading conditions we were able to maintain a high volume of output.

The trading profit of our group after all charges (except depreciation £121,659) was £456,723, an increase of £156,754 over last year. After making provision for taxation of £210,403 there remains the sum of £124,661 taxed profits which is £63,811 greater than last year.

Taxation has taken over 60 per cent of our profit after all charges, including depreciation. It is clear that the Government should give more aid to industry to assist export trade and

B. ELLIOTT & CO. LTD.

The forty-first annual general meeting of B. Elliott & Co. Ltd. was held in London on October 3rd. Mr J. Frye, chairman, presiding, said, during his speech:

"The accounts for the year to March 31, 1962, show a trading profit of £599,810. Nett profit before taxation amounts to £479,776, compared with the previous year's figure of £257,810.

Taxation absorbs £255,093; nett profit after tax is £217,712 against £122,508. The directors proposed a final dividend of 10 per cent on the ordinary share capital as increased by the share issue of March 1962. During the year the share capital has been increased by two scrip issues each of one for two, and the ordinary issued share capital at the end of the year stood at £911,250 as compared with £405,000. While the rate of dividend has remained unchanged,

maintain full employment by incentives and some easing of taxation.

Capital Expenditure: Additions and replacements to fixed assets of the group amounted to £135,291 of which £121,659 was provided from depreciation. This expenditure and the commitments (£58,250) have been made in accordance with our policy of modernisation and expansion of our production and distribution facilities. Our attention is constantly directed to new methods to advance the quality and performance of our existing products and to search for new products to extend the group's activities.

Last year the group maintained a large volume of work in the face of severe competition and reduced profit margins and we expect similar conditions in the current year.

Outlook: Our order book remains substantial and output has been well maintained. Your Board regard the future with cautious optimism and consider, with the usual reservation regarding unforeseen contingencies, that we may look forward to another satisfactory year.

The report was adopted and the final dividend of 7½ per cent making 10 per cent for the year was approved.

It has been maintained on the increased capital and is twice covered. Total dividends for the year will absorb £94,593, leaving a total of £123,119 to be added to the amount brought forward.

B. Elliott (Machinery) Limited, showed a further increase over the previous year's figures and profit margins were maintained. In the export field turnover again increased.

Elgar Machine Tool Company Limited had a record year; Press and Shear Machinery Company Limited and Gate Machinery Company Limited, now firmly established, also made excellent contributions. We have purchased the whole of the share capital of Modern Machine Tools Limited of Coventry, thus strengthening our position in the second-hand and re-conditioning field.

With our wide range of products and markets, we can face the future with confidence."

The report was adopted.



CALOR GAS

HOLDING COMPANY LIMITED

The following points are taken from the Report and Accounts and Statement by the Chairman, Commander Coliri Buist, to the 14th Annual General Meeting of the Company:—

- ★ For the year ended March 31, 1962, the consolidated profit amounted to £970,070 after charging £832,402 for depreciation.
- ★ A Final Dividend of 8½ per cent is proposed, making with the interim dividend of 4 per cent already paid 12½ per cent for the year. £220,000 has been transferred to General Reserve.
- ★ The increase in trade during the past year, while undoubtedly attributable in some measure to an exceptionally severe winter, reflects also the steady development taking place in all operating subsidiary companies.
- ★ The rationalisation of our distribution network has progressed favourably with Neath Filling Station coming into operation in September, 1961, and Ellesmere Port in April, 1962. This phase of development will be completed shortly when the Grangemouth Filling Station commences to operate.
- ★ Results to date in the current financial year indicate that the trend towards increased turnover, particularly in the industrial field, is continuing, but ever rising operating costs make the maintenance of profit margins more difficult.

PERAK RUBBER PLANTATIONS

PROGRESSIVE CROP INCREASES

LIEUTENANT-COLONEL J. R. P. WILLIAMS' REVIEW

The fifty-sixth annual general meeting of The Perak Rubber Plantations, Limited was held on September 27th in London. **Lt-Col J. R. P. Williams, MBE** (the chairman), presiding.

The following is an extract from his circulated review:

The crop has once again shown a steady increase, 1,369,000 lbs. having been harvested as against 1,271,000 lbs. in the previous year. The F.O.B. cost was 11.75d. against 1s. 1.43d. and the net average selling price was 1s. 8.80d. against 2s. 0.77d. in the previous year.

Last year I referred to the fall in the world market price of rubber and this, as you will note, has continued. It will be an unhealthy day for the natural rubber industry should spectacular rises in the market price occur as happened from time to time in years gone by. It is essential for producers to be able to market their natural rubber at prices not exceeding that of synthetic rubber. At present this is being achieved by the industry as a whole and while this situation lasts, due to the ever increasing demand for rubber, Shareholders in companies producing natural rubber should receive a reasonable return on their money.

In the current year the crop harvested for the first four months to July 31st amounted to 454,000 lbs. against 431,000 lbs. for the same period last year.

For the year under review the net profit before taxation amounted to £45,786 against £58,602.

On April 19, 1962 we paid an interim dividend of 7½ per cent against 10 per cent in the previous year and we now recommend a final dividend of 12½ per cent against 17½ per cent, making 20 per cent in all, compared with 27½ per cent.

You will have noted in the Directors' Report reference to depreciation and, in the Balance Sheet, Aggregate Depreciation to date amounts to £34,020 against £28,658. We have adopted a new system of assessing the value of our buildings, plant and machinery which after this first year should give us annually in the future a clearer picture of the value of such assets.

During the year 144 acres of old seedling rubber were cut out and that area replanted; 53 acres of immature rubber were brought into tapping.

The Capital Expenditure amounted to £5,741 for the provision of Labourers' Lines, one Smokehouse complete, a new Dispensary and two Tractors and two Trailers.

Mr W. H. C. Horn, OBE, paid his first visit to the estate early in 1961 and his report indicated that he was very favourably impressed with the estate and its management by Mr K. I. Pepperell.

Mr A. G. Graham was appointed Visiting Agent in succession to Mr J. C. Stephen who retired in March, 1961 and he also reports well of the property.

Mr K. I. Pepperell is due home on well earned leave shortly and to him, the Visiting Agent Mr A. G. Graham, the Eastern Agents Messrs Harrisons & Crosfield (Federation of Malaya) Limited and to Messrs. Rowe, White & Company, Limited, the Secretaries, I extend my thanks for another year of good work.

The report and accounts were adopted.

COMPANY MEETING REPORTS

WESTERN MINING CORPORATION

The annual general meeting of Western Mining Corporation Limited was held on September 21st, in Melbourne.

Mr G. Lindsay Clark, CMG (the Chairman), presided and paid a tribute to the memory of the late Vice-Chairman, Mr F. F. Espie, who died on May 9, 1962.

(All figures quoted are in Australian currency.)

Net profit for the year ended March 31, 1962, of £270,461 was £27,107 lower than in 1960/61. Dividends received from the Central Norseman and Gold Mines of Kalgoorlie Companies were unchanged at £281,887.

Dividends totalling 1s. per fully paid share were paid during the year. Since the close of the year, a further dividend—the 30th—of 6d. per share was paid on August 10, 1962.

GOLD MINING

During the last financial year the three gold mining companies in the group treated 1,107,893 tons of ore from which 316,033 ounces of fine gold in bullion and concentrates were produced.

Through its wholly-owned subsidiary, Champagne Syndicate No Liability, the Corporation has held the Mt. Charlotte Leases situated at the northern end of the Kalgoorlie field. An option was taken by Gold Mines of Kalgoorlie to acquire the leases for 200,000 fully paid shares at par. The subsequent exercise of the option has resulted not only in the Corporation acquiring an additional shareholding in Gold Mines of Kalgoorlie but also in the Corporation's large investment in that Company being strengthened by the substantial additions to its ore reserves.

The Chairman in reviewing operations at Gold Mines of Kalgoorlie (Aust.) Ltd., continued:

An extensive drilling campaign on the Mount Charlotte property has proved 3,000,000 tons of ore averaging 3 dwts. per ton to a depth of 700 feet, and has indicated that the orebody will continue at a similar size and grade to at least 1,000 feet below the surface. It is proposed to increase the treatment rate of Gold Mines of Kalgoorlie mill from 41,000 tons per four-weekly period to 56,000 tons per period by the addition of a free-milling circuit to treat approximately 20,000 tons per period of Mt. Charlotte ore.

On completion of this programme the Company's position will be considerably strengthened, not only by the larger ore reserves but by being less dependent on subsidy.

IRON ORE

In July, 1961, the Western Australian Government accepted the Corporation's tender to mine the Tallering Peak iron ore deposits for export, subject to preliminary testing, and subsequently entered into an Agreement with the Corporation.

As it became increasingly clear that large reserves could be developed, and that the project involved more than the mining of direct shipping ore, your Board came to the conclusion that it would be desirable to join with partners with experience in the iron ore trade. It, therefore, welcomed a suggestion from The Hanna Mining Company and the Homestake Mining Company to join in the development of the project. These are large American mining companies and can provide, in addition to finance, specialised experience in the preparation and marketing of iron ore.

Arrangements have now been made under

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which the costs of further testing and evaluation of the properties from the technical and commercial aspects will be borne by the Hanna and Homestake Companies and they will be entitled to acquire a joint 50 per cent participation in the enterprise on terms advantageous to the Corporation.

The report and accounts were adopted.

GOLD MINES OF KALGOORLIE (AUST.)

The annual general meeting of Gold Mines of Kalgoorlie (Aust.) Limited was held on September 20th in Melbourne.

Mr G. Lindsay Clark, CMG (the Chairman), presided and, in the course of his speech, said:

(All figures quoted are in Australian currency.)

After provision for tax on sundry non-mining income, net profit for the year to March 31, 1962, was £305,767 compared with £275,917 for the previous year, an increase of £29,850.

Net profit from operations increased by £89,156, principally attributable to an increase in recovered grade from 5.54 to 5.77 dwts. per ton but Commonwealth subsidy decreased by £59,306.

Dividends of 6d. per share were paid on June 1 and December 1, 1961, absorbing £202,265. Since the close of the year a further dividend of 6d. per share was paid on June 1, 1962.

During the year 510,936 tons of ore were treated for the recovery of 147,379 ounces of fine gold.

Ore reserves at March 31, 1962, were estimated at 1,139,000 tons of an average grade of 5.9 dwts. per ton, compared with 1,133,000 tons averaging 5.9 dwts. per ton at March 31, 1961.

A total of 31,553 feet of development work done during the year included 30,927 feet of normal development, 27 per cent of which was in ore averaging 9.5 dwts. per ton over 66 inches.

An expansion programme is in hand envisaging the bringing into production of some lower-grade ore bodies in the Kalgoorlie area, e.g. the Mt. Charlotte ore body, on completion of which the Company will be strengthened, not only by larger ore reserves but by a lesser degree of reliance on subsidy.

The capital expenditure involved will be financed partly from internal funds and partly from a proposed issue of 1,698,117 contributing shares of 10s. each at a discount of 3s. per share, in the ratio of two new shares per five shares held. The purchase price of the Mt. Charlotte property has already been met by the issue of 200,000 shares at par. It is expected that dividends of 1s. per annum per fully paid share will be maintained on the increased number of issued shares.

Special Resolutions were submitted to increase the Authorised Capital from £2,500,000 to £4 million divided into 8 million shares of 10s. each, and to authorise the issue of up to 1,700,000 shares of 10s. each at a discount of 3s. per share. It is proposed to proceed with the expansion programme and subject to confirmation by the Court of the capital issue proposals, it is hoped to make the offer to shareholders during October for acceptance in November, Western Mining Corporation has agreed to underwrite the issue and has indicated that it would take up its entitlement.

The report and accounts were adopted and the Special Resolutions approved.

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THE CALICO PRINTERS' ASSOCIATION, LIMITED

TRADING CONDITIONS MOST DIFFICULT IN LIVING MEMORY

MR R. M. LEE'S STATEMENT

The Sixty-third Annual General Meeting of The Calico Printers' Association, Limited, will be held on October 24th at St. James's Buildings, Oxford Street, Manchester, 1.

The following are extracts from the statement by the Chairman, **Mr R. M. Lee**, circulated with the report and accounts for the year ended June 30, 1962:

ACCOUNTS

After a year of most difficult trading conditions, the dominating feature of the Consolidated Profit and Loss Statement is a trading loss of £166,000 after depreciation, compared with a profit of £1,947,000 for the preceding year. Almost the whole of this reverse was sustained by the Association's own activities of commission printing and merchanting.

To offset this, however, there was an increase of £352,000 in Royalties to £2,510,000 and a decrease in the tax charge of £823,000, so that with minor variations in the other items the Group's profit after tax declined by a net amount of £925,000 to £999,000.

The amount distributed to Ordinary Stockholders last year was restricted, in response to the appeal by the Chancellor of the Exchequer, to a final dividend of 7½ per cent with a bonus of 6½ per cent and the undistributed profits were used to strengthen the Association's interests in complementary activities, in particular the Retail Group. This year, in view of the disappointing trading results, we are recommending a final dividend of 12½ per cent, making a total distribution of 20 per cent for the year, attributable entirely to the royalty income.

THE STATE OF TRADE

Trading conditions for the year under review have been the most difficult of any in living memory, particularly so in our printing section.

The present poor state of trade has been brought about by three main causes. First, the weather, second the throwing open of the home trade to imports of cheap prints from Far Eastern and other countries and third the general uncertainty which has affected all industries. I have referred to the effect that the weather has on our printing business on previous occasions and I need hardly point out that we have now had three poor summers in succession with the result that there has been considerable nervousness amongst our customers in placing print orders. With regard to the import question we have joined with other sections of the trade in bringing the position to the notice of Government and making strong protests. It would seem, however, that Government is determined to allow these imports to continue and it is somewhat odd that they should spend money in assisting the industry to become more efficient without taking steps to resolve the problem of imports and ensure the fullest use of the machinery that remains in the industry, a fact which was noted in the conclusions in the Fourth Report from the Estimates Committee on the assistance to the Cotton Industry.

COMPANY MEETING REPORTS

A further review of our production capacity was made during the year and regrettably resulted in the closing of another of our Printworks. Concurrently we are in the process of overhauling our selling methods and carrying out strict economies both in staff and office space. We are confident that these and other measures will help to make us more competitive and able to face the challenge of European finishers should this country's application to join E.E.C. be accepted.

MERCHANTING

The Merchant Group has had a poor year. Sales, after two years at high levels, fell heavily in two important sections, the making-up trade at home and West Africa. Sales of dress goods

MALAYALAM PLANTATIONS

The forty-first annual general meeting of Malayalam Plantations Limited will be held on October 25th in London.

The following are extracts from the circulated statement of the Chairman, **Mr John Sands, CA**, for the year ended March 31, 1962:

The results for the year have proved to be better than could have been anticipated at the time of our last annual meeting. This is due in part to much of the tea crop shortage of about 1½ million lb at this time last year having been overtaken notwithstanding very variable climatic conditions throughout the season, and in part to an unexpectedly sharp recovery in tea prices between March and June, 1962. The rubber crop exceeded expectations and is easily the highest in the Company's history.

THE HUDSON'S BAY OIL & GAS COMPANY LIMITED

It was announced today that a proposal was made earlier this week by Hudson's Bay Oil & Gas Company, Limited to consolidate with Canadian Oil Companies Limited. However after considering this proposal the Board of Directors of Canadian Oil Companies elected to accept the offer of another Company.

Wayne E. Glenn, President of Hudson's Bay Oil & Gas, stated that under the terms of the proposal his company made to the Board of Directors of Canadian Oil Companies, the holder of each share of the latter's Common Stock would have received two Common Shares and one 5½ per cent Cumulative Convertible Preferred Share with a par value of \$20.00 in the continuing Company. Each of the Preferred Shares would have been convertible into one Common Share at any time between the 5th and 12th years from the date of issue. The proposed conversion prices for each Common Share were: \$20.00 in the 6th and 7th years; \$22.00 in the 8th and 9th years; and \$24.00 in the 10th and 11th years. The proposal would have resulted in an ideal combination as the operation of the two companies complement each other. Canadian Oil Companies refines and markets about 40,000 barrels per day of petroleum products but it produces only 5,000 barrels per day of crude oil and natural gas liquids. Hudson's Bay Oil & Gas Company produces about 30,000 barrels per day of crude oil and natural gas liquids but it has no refining or

to the retail and export, as also of furnishings and shirtings, were fairly well maintained, although gross margins narrowed under competitive pressure.

ROYALTIES

The British patents for "Terylene" expire next year, the life of those patents having been prolonged for a period of five years to July 13, 1963. Expiry of the British patents will cause a sharp fall in the Association's royalties but we should continue to receive royalties from sales of polyester fibres manufactured abroad in countries where the patents remain in force for longer periods. The gross royalty income of £2,510,000 in 1961-62 included £1,684,000 from foreign sub-licensees.

The profit for the year after taxation is some £70,000 lower than that for 1960-61. The Board have transferred £6,500 to Development Rebate Reserve and £138,840 to Replanting Reserve, and recommend a final dividend of 12 per cent making a total of 16 per cent for the year and leaving £81,471 to be carried forward.

At present, the crop situation for both tea and rubber is very encouraging. Given favourable climatic conditions for the rest of the year we may reasonably expect total crops to be in the region of 23 million lb in the case of tea and 11 million lb in the case of rubber, though the profit margin on tea is expected to be appreciably lower. Based on these figures, each penny per lb variation in the profit on tea amounts to approximately £95,800 before tax, and on rubber to approximately £45,800 before tax, a measure of the fluctuations which can take place in our profits.

marketing operations. Therefore consolidation of the two companies would have created a fully integrated operation in almost perfect balance.

Since the operations of the two companies complement each other, the services of virtually all the officers and employees of the two companies would have been required for the operation of the continuing company. The proposal gave assurances that in the few instances where duplication of positions or where similar problems exist, mutually satisfactory arrangements would be made. Mr Glenn stated that the objectives of his company's proposal were to create a larger and stronger corporation in the Canadian Oil Industry and, at the same time, to broaden the opportunities for Canadian ownership. Hudson's Bay Oil and Gas Company Limited is now owned: 67.8 per cent by Continental Oil Company; 22.6 per cent by the Hudson's Bay Company; and 9.6 per cent by the public. The ownership of the Common Stock during the next five years would have been: 52.0 per cent by Continental Oil Company; 17.3 per cent by the Hudson's Bay Company; and 30.7 per cent by the public. The Convertible Preferred Stock would have been owned entirely by the public, and ultimate full conversion of this issue would have resulted in public ownership of 38 per cent of the Common Stock. The Corporation resulting from the consolidation would have been a strong and fully integrated independent factor in the highly competitive petroleum industry in Canada. It would have ranked fourth in the Canadian petroleum industry in terms of crude oil and natural gas liquids production and fifth in terms of refining and distribution of petroleum products.

STOCK

AND YIELDS

LONDON: NEW YORK: FRANCE
GERMANY: HOLLAND: ITALY
BELGIUM: SWEDEN: NORWAY

Prices, 1962		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Sept. 26, 1962	Price, Oct. 3, 1962	Net Red. Yield, Oct. 3, 1962	Gross Red. Yield, Oct. 3, 1962	Prices, 1962		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Sept. 26, 1962	Price, Oct. 3, 1962	Yield, Oct. 3, 1962	Cover
High	Low							High	Low								
100 ¹⁵ / ₁₆	100 ³² / ₁₆	Treasury 5 1/2%	1962	100.43	100 ¹⁵ / ₁₆	2 5/8	3 1/8	105/-	79/9	6 1/2 b	6 1/2 a	BANKS, DISCOUNT & HP		83/6	85/-	3 06	...
99 ¹⁵ / ₁₆	99 ³² / ₁₆	Exchequer 3 1/2%	1962-63	99 ¹⁵ / ₁₆	99 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a	Barclays		83/6	85/-	3 06	...
100 ¹⁵ / ₁₆	100 ³² / ₁₆	Conversion 4 1/2%	1963	100 ¹⁵ / ₁₆	100 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a	District		83/6	85/-	3 06	...
98 ¹⁵ / ₁₆	98 ³² / ₁₆	Exchequer 2 1/2%	1963-64	98 ¹⁵ / ₁₆	98 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a	Lloyds		83/6	85/-	3 06	...
100 ¹⁵ / ₁₆	100 ³² / ₁₆	Conversion 4 1/2%	1964	100 ¹⁵ / ₁₆	100 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a	Martins		83/6	85/-	3 06	...
100 ¹⁵ / ₁₆	100 ³² / ₁₆	Treasury 5 1/2%	Ass'd. (m)	100 ¹⁵ / ₁₆	100 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a	Midland		83/6	85/-	3 06	...
99 ¹⁵ / ₁₆	99 ³² / ₁₆	Treasury 5 1/2%	Ass'd. (n)	99 ¹⁵ / ₁₆	99 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a	Nat. Provincial		83/6	85/-	3 06	...
99 ¹⁵ / ₁₆	99 ³² / ₁₆	Treasury 4 1/2%	1965	99 ¹⁵ / ₁₆	99 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a	Westminster 'B'		83/6	85/-	3 06	...
96 ¹⁵ / ₁₆	96 ³² / ₁₆	Savings Bonds 3 1/2%	1955-65	96 ¹⁵ / ₁₆	96 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a	Australia & N.Z.		83/6	85/-	3 06	...
103 ¹⁵ / ₁₆	103 ³² / ₁₆	Exchequer 5 1/2%	1966	103 ¹⁵ / ₁₆	103 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a	Bk. Lond. & S. Amer.		83/6	85/-	3 06	...
92 ¹⁵ / ₁₆	92 ³² / ₁₆	Savings Bonds 2 1/2%	1964-67	92 ¹⁵ / ₁₆	92 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a	Bank of Montreal		83/6	85/-	3 06	...
103 ¹⁵ / ₁₆	103 ³² / ₁₆	Exchequer 5 1/2%	1967	103 ¹⁵ / ₁₆	103 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a	Bank of New S. Wales		83/6	85/-	3 06	...
93 ¹⁵ / ₁₆	93 ³² / ₁₆	Funding 3 1/2%	1966-68	93 ¹⁵ / ₁₆	93 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a	Barclays D.C.O.		83/6	85/-	3 06	...
92 ¹⁵ / ₁₆	92 ³² / ₁₆	Conversion 3 1/2%	1969	92 ¹⁵ / ₁₆	92 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a	Chartered		83/6	85/-	3 06	...
92 ¹⁵ / ₁₆	92 ³² / ₁₆	Funding 3 1/2%	1959-69	92 ¹⁵ / ₁₆	92 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a	Hongkong & Shang.		83/6	85/-	3 06	...
98 ¹⁵ / ₁₆	98 ³² / ₁₆	Victory 4 1/2%	1920-76	98 ¹⁵ / ₁₆	98 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a	Nat. Com. Bk. Scot.		83/6	85/-	3 06	...
90 ¹⁵ / ₁₆	90 ³² / ₁₆	Savings Bonds 3 1/2%	1960-70	90 ¹⁵ / ₁₆	90 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a	Royal Bk. Canada		83/6	85/-	3 06	...
103 ¹⁵ / ₁₆	103 ³² / ₁₆	Conversion 5 1/2%	1971	103 ¹⁵ / ₁₆	103 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a	Standard Bank		83/6	85/-	3 06	...
108 ¹⁵ / ₁₆	108 ³² / ₁₆	Conversion 6 1/2%	1972	108 ¹⁵ / ₁₆	108 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a	Hambros		83/6	85/-	3 06	...
104 ¹⁵ / ₁₆	104 ³² / ₁₆	Conversion 5 1/2%	1974	104 ¹⁵ / ₁₆	104 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a	Schroders		83/6	85/-	3 06	...
83 ¹⁵ / ₁₆	83 ³² / ₁₆	Funding 4 1/2%	1960-90	83 ¹⁵ / ₁₆	83 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a	Union Discount		83/6	85/-	3 06	...
83 ¹⁵ / ₁₆	83 ³² / ₁₆	Savings Bonds 3 1/2%	1965-75	83 ¹⁵ / ₁₆	83 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a	Bowmaker		83/6	85/-	3 06	...
82 ¹⁵ / ₁₆	82 ³² / ₁₆	Treasury 3 1/2%	1977-80	82 ¹⁵ / ₁₆	82 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a	Lombard Banking		83/6	85/-	3 06	...
81 ¹⁵ / ₁₆	81 ³² / ₁₆	Treasury 3 1/2%	1977-80	81 ¹⁵ / ₁₆	81 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a	Mercantile Credit		83/6	85/-	3 06	...
102 ¹⁵ / ₁₆	102 ³² / ₁₆	Funding 5 1/2%	1982-84	102 ¹⁵ / ₁₆	102 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a	United Domin. Tst.		83/6	85/-	3 06	...
93 ¹⁵ / ₁₆	93 ³² / ₁₆	Treasury 5 1/2%	1986-89	93 ¹⁵ / ₁₆	93 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a			83/6	85/-	3 06	...
65 ¹⁵ / ₁₆	65 ³² / ₁₆	Redemption 3 1/2%	1986-96	65 ¹⁵ / ₁₆	65 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a			83/6	85/-	3 06	...
99 ¹⁵ / ₁₆	99 ³² / ₁₆	Funding 5 1/2%	1993-2008	99 ¹⁵ / ₁₆	99 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a			83/6	85/-	3 06	...
84 ¹⁵ / ₁₆	84 ³² / ₁₆	Treasury 5 1/2%	2008-12	84 ¹⁵ / ₁₆	84 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a			83/6	85/-	3 06	...
69 ¹⁵ / ₁₆	69 ³² / ₁₆	Consols 4 1/2%	after Feb. 1957	69 ¹⁵ / ₁₆	69 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a			83/6	85/-	3 06	...
62 ¹⁵ / ₁₆	62 ³² / ₁₆	War Loan 3 1/2%	after Apr. 1966	62 ¹⁵ / ₁₆	62 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a			83/6	85/-	3 06	...
51 ¹⁵ / ₁₆	51 ³² / ₁₆	Conv. 3 1/2%	after Apr. 1961	51 ¹⁵ / ₁₆	51 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a			83/6	85/-	3 06	...
52 ¹⁵ / ₁₆	52 ³² / ₁₆	Treasury 3 1/2%	after Apr. 1966	52 ¹⁵ / ₁₆	52 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a			83/6	85/-	3 06	...
45 ¹⁵ / ₁₆	45 ³² / ₁₆	Consols 2 1/2%	1969-70	45 ¹⁵ / ₁₆	45 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a			83/6	85/-	3 06	...
44 ¹⁵ / ₁₆	44 ³² / ₁₆	Consols 2 1/2%	1971-72	44 ¹⁵ / ₁₆	44 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a			83/6	85/-	3 06	...
105 ¹⁵ / ₁₆	105 ³² / ₁₆	Treasury 2 1/2%	after Apr. 1969	105 ¹⁵ / ₁₆	105 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a			83/6	85/-	3 06	...
85 ¹⁵ / ₁₆	85 ³² / ₁₆	British Electric 3 1/2%	1967-69	85 ¹⁵ / ₁₆	85 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a			83/6	85/-	3 06	...
81 ¹⁵ / ₁₆	81 ³² / ₁₆	British Electric 3 1/2%	1974-77	81 ¹⁵ / ₁₆	81 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a			83/6	85/-	3 06	...
90 ¹⁵ / ₁₆	90 ³² / ₁₆	British Electric 4 1/2%	1974-79	90 ¹⁵ / ₁₆	90 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a			83/6	85/-	3 06	...
83 ¹⁵ / ₁₆	83 ³² / ₁₆	British Electric 3 1/2%	1976-79	83 ¹⁵ / ₁₆	83 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a			83/6	85/-	3 06	...
95 ¹⁵ / ₁₆	95 ³² / ₁₆	British Gas 4 1/2%	1969-72	95 ¹⁵ / ₁₆	95 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a			83/6	85/-	3 06	...
92 ¹⁵ / ₁₆	92 ³² / ₁₆	British Gas 3 1/2%	1969-70	92 ¹⁵ / ₁₆	92 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a			83/6	85/-	3 06	...
66 ¹⁵ / ₁₆	66 ³² / ₁₆	British Gas 3 1/2%	1980-85	66 ¹⁵ / ₁₆	66 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a			83/6	85/-	3 06	...
81 ¹⁵ / ₁₆	81 ³² / ₁₆	British Transport 3 1/2%	1968-73	81 ¹⁵ / ₁₆	81 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a			83/6	85/-	3 06	...
90 ¹⁵ / ₁₆	90 ³² / ₁₆	British Transport 4 1/2%	1972-77	90 ¹⁵ / ₁₆	90 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a			83/6	85/-	3 06	...
69 ¹⁵ / ₁₆	69 ³² / ₁₆	British Transport 3 1/2%	1978-88	69 ¹⁵ / ₁₆	69 ³² / ₁₆	2 5/8	3 1/8	100/-	61/-	6 1/2 b	6 1/2 a			83/6	85/-	3 06	...
Prices, 1962		DOMINION AND CORPORATION STOCKS		Price, Sept. 26, 1962	Price, Oct. 3, 1962	Net Yield, Oct. 3, 1962		Prices, 1962									
High	Low							High	Low								
88 ¹⁵ / ₁₆	79 ¹⁵ / ₁₆	Australia 3 1/4%	1965-69	87 ¹⁵ / ₁₆	88 ¹⁵ / ₁₆	5 1/2	6 1/2	35 ¹⁵ / ₁₆	25 ¹⁵ / ₁₆	4 a	8 b	Bonts Pure Drug	5/-	26/6	26/9	2.24	2 1/4
102 ¹⁵ / ₁₆	96	Australia 6%	1974-76	101 ¹⁵ / ₁₆	102 ¹⁵ / ₁₆	5 1/2	6 1/2	33 ¹⁵ / ₁₆	18/9	5 a	2 a	Montague Burton	10/-	22/-	22/6	3.06	2 1/4
66	66	Ceylon 4 1/2%	1973-75	55 ¹⁵ / ₁₆	56	10	6 1/2	59 ¹⁵ / ₁₆	42/9	12 ¹⁵ / ₁₆	5 a	Debenhams	10/-	50/-	53/-	3.62	1 1/2
104	94 ¹⁵ / ₁₆	New Zealand 6%	1976-80	102 ¹⁵ / ₁₆	104	5 1/2	6 1/2	65 ¹⁵ / ₁₆	51 ¹⁵ / ₁₆	13 ¹⁵ / ₁₆	27 ¹⁵ / ₁₆	G.S. 'A'	5/-	60 ¹⁵ / ₁₆	63/9	3.14	2
80 ¹⁵ / ₁₆	62 ¹⁵ / ₁₆	Rhodesia and Nyasaland 6%	1978-81	79 ¹⁵ / ₁₆	80 ¹⁵ / ₁₆	8	4 1/2	40 ¹⁵ / ₁₆	28/9	13 ¹⁵ / ₁₆	16 ¹⁵ / ₁₆	House of Fraser	5/-	32/6	34/-	4.41	1 1/4
91	82	South Africa 3 1/2%	1965-67	89 ¹⁵ / ₁₆	90 ¹⁵ / ₁₆	7 1/5	0	12 ¹⁵ / ₁₆	79 ¹⁵ / ₁₆	7 1/2 b	5 a	Lewis's Invest. Tst.	4/-	13 ¹⁵ / ₁₆	13 ¹⁵ / ₁₆	3.60	2
67 ¹⁵ / ₁₆	48	Southern Rhodesia 4 1/2%	1987-92	64 ¹⁵ / ₁₆	67 ¹⁵ / ₁₆	5 1/5	0	100 ¹⁵ / ₁₆	79/9	15 a	20 a	Mark's & Spencer 'A'	5/-	80/6	83 ¹⁵ / ₁₆	2.85	1 1/4
89 ¹⁵ / ₁₆	77 ¹⁵ / ₁₆	Agricultural Mortgage 5%	1959-89														

Manpower and Output

Labour figures relate to Great Britain and production figures to United Kingdom unless otherwise stated.
M = Monthly averages or calendar months.
W = Weekly averages.

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

BRITISH
Prices and Wages..... Sept. 22nd External Trade..... Sept. 29th
Manpower and Output.... This week Industrial Profits..... July 14th

OVERSEAS
Western Europe..... Aug. 18th United States..... Sept. 15th

Unit	Midyear or averages			1961			1962				
	1959	1960	1961	July	August	Sept.	May	June	July	August	Sept.
TOTAL MANPOWER											
Working population:											
Total..... '000s	24,145	24,436	24,650	24,723	24,819	24,778	24,786	24,809	24,857	24,952	...
Men.....	16,137	16,239	16,325	16,362	16,408	16,365	16,391	16,400	16,413	16,473	...
Women.....	8,008	8,197	8,325	8,361	8,411	8,413	8,395	8,409	8,444	8,479	...
Armed Forces:											
Total.....	565	518	474	469	464	464	444	442	442	439	...
Civil employment:											
Total.....	23,197	23,628	23,925	23,975	24,062	24,008	23,957	23,995	24,035	24,068	...
Manufacturing industries.....	8,477	8,811	8,928	8,931	8,973	8,994	8,904	8,885	8,881	8,894	...
Employees:											
in engineering (2).....	3,545	3,740	3,810	3,807	3,818	3,840	3,820	3,810	3,798	...	...
in consumer goods industries (2).....	3,101	3,154	3,177	3,181	3,192	3,198	3,170	3,166	3,175	...	...
UNEMPLOYMENT											
By duration:											
All durations—total.....	475.2	360.4	340.7	258.6	305.2	317.0	423.8	397.2	400.4	464.4	465.1
Temporary.....	30.7	14.5	28.6	9.1	8.2	26.4	26.2	25.0	20.3	18.9	26.1
Wholly unemployed (3)—total.....	432.8	337.2	304.8	244.5	264.9	276.1	388.7	368.4	370.7	392.3	406.8
Seasonally adjusted.....	...	...	...	297.2	308.9	307.4	394.8	407.5	424.3	436.6	439.0
Over 8 weeks.....	243.4	187.6	157.1	136.4	137.9	134.2	210.5	202.4	195.9	208.7	217.4
By regions (4):											
Great Britain..... %	2.2	1.6	1.6	1.2	1.4	1.4	1.9	1.8	1.8	2.1	2.1
London and South Eastern.....	1.3	0.9	1.0	0.7	0.9	0.9	1.2	1.1	1.1	1.3	1.2
Eastern and Southern.....	1.5	1.2	1.1	0.7	0.9	0.9	1.3	1.1	1.1	1.4	1.4
South Western.....	2.2	1.7	1.4	1.0	1.2	1.2	1.6	1.4	1.4	1.6	1.6
Midland.....	1.5	1.0	1.4	0.9	1.1	1.4	1.5	1.6	1.6	1.8	1.8
North Midland.....	1.5	1.1	1.0	0.7	0.9	0.9	1.3	1.2	1.2	1.4	1.4
East and West Ridings.....	1.9	1.2	1.0	0.8	0.9	1.0	1.5	1.4	1.4	1.7	1.8
North Western.....	2.8	1.9	1.6	1.3	1.6	1.7	2.4	2.3	2.3	2.8	2.8
Northern.....	3.3	2.8	2.5	1.9	2.3	2.3	3.5	3.2	3.2	3.7	3.8
Scotland.....	4.4	3.6	3.1	2.7	2.9	2.8	3.5	3.3	3.5	3.8	3.8
Wales.....	3.8	2.7	2.6	1.9	2.1	2.2	2.9	2.6	2.7	3.1	3.2
VACANCIES											
Unfilled vacancies: Total..... '000s	224	314	320	395	360	328	245	252	251	227	200
Seasonally adjusted.....	...	...	...	348	326	322	235	219	200	192	191
STOPPAGES OF WORK											
Working days lost: Total..... M '000s	439	252	254	174	121	188	212	107	69	130	...
in engineering (2) (13) industries..... M	80.4	121	122	90	63	101	118	53	30	46	...
INDUSTRIAL PRODUCTION											
Index:											
All industries..... 1958=100	105	112	114	110	96	116	119	117	109	...	...
Seasonally adjusted.....	...	...	...	116	115	114	116	117	116	...	...
Mining and quarrying.....	97	94	93	84	71	95	103	94	87	...	...
Construction.....	106	111	120	122	122	122	123	123	123	...	...
Gas, electricity and water.....	103	110	116	95	92	102	116	101	98	...	...
Manufacturing, total.....	106	115	115	112	94	118	120	119	109	...	...
Seasonally adjusted.....	...	...	...	117	116	114	116	118	116	...	...
Engineering and electrical goods.....	105	114	121	121	94	130	125	130	119	...	...
Shipbuilding.....	94	85	86	82	84	86	89	87	86	...	...
Vehicles.....	109	118	109	111	80	108	122	120	91	...	...
Chemical trades.....	111	122	124	119	112	124	132	132	...	...	...
Textiles, leather and clothing.....	107	113	111	107	92	120	110	103	...	...	...
Basic material production:											
M/W averages											
Coal (7) (8)..... W '000 tons	3,963	3,725	3,663	3,275	2,732	3,708	4,077	3,712	3,397	2,834	...
Pig iron..... W	242	303	284	277	265	261	272	267	262	243	...
Steel, ingots and castings..... W	388	467	425	380	338	400	430	404	367	319	...
Sulphuric acid..... M	202.3	225.1	221.8	221.0	203.9	208.3	230.8	225.9	226.8	...	...
Newsprint..... W	12.87	14.25	13.70	11.06	11.45	13.06	12.81	13.32	...	...	...
Electricity (7) (11)..... M mn. kwh	8,764	9,904	10,631	8,515	8,306	9,148	10,964	9,051	9,038	...	...
Gas (12)..... W mn. therms	53.5	55.7	55.7	45.0	40.8	46.3	54.6	47.8	45.5	...	...
Textile production:											
Cotton yarn, single..... W mn. lb.	14.58	14.44	13.21	11.77	12.40	12.41	12.84	11.06	9.32	...	...
Worsted yarn (6)..... M	19.34	20.40	20.52	19.78	14.96	21.66	21.21	17.29	18.10	...	...
Rayon and synthetic fibres..... M	42.89	49.33	47.47	50.76	41.95	45.40	55.15	55.34	53.60	42.50	...
Cotton cloth, woven..... W mn. yds.	25.7	24.9	23.8	16.1	23.1	23.0	22.3	20.7	13.7	...	...
Wool fabrics, woven (4)..... M mn. sq. yds.	30.4	30.6	29.3	29.5	23.3	31.1	30.4	26.0	28.0	...	...
Engineering production:											
Passenger cars and chassis..... W '000s	22.88	26.01	19.31	24.58	11.49	20.18	27.67	25.33	15.79	23.49	...
Commercial vehicles and chassis..... W	7.13	8.81	8.85	9.30	5.36	9.00	8.35	8.42	5.57	7.74	...
Merchant ships (1)..... M '000 gr. tons	116	109	116	100	100	100	94	94	...	...	...
Internal combustion engines (4)..... M '000 BHP	468	577	587	547	445	559	773	711	...	...	...
Metal-working machine tools (4)..... M £'000	6,564	7,911	9,643	9,917	7,289	9,922	11,504	11,164	...	...	...
Television sets..... M '000s	238.6	178.4	104.7	93.0	64.2	124.2	132.7	110.5	...	...	...
Permanent houses completed (10):											
Total..... M '000s	20.78	22.44	22.40	22.16	21.92	22.36	24.22	24.12	24.55	23.72	...
For local housing authorities..... M	8.29	8.60	7.74	7.47	6.98	7.01	8.96	9.03	9.23	8.42	...

(1) Vessels of 100 gross tons and over completed. (2) Engineering and electrical goods, shipbuilding and marine engineering, vehicles, metal goods. (3) Textiles, leather goods, clothing, food, drink, and tobacco, timber, furniture, paper, printing and publishing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) Excluding school-leavers. (6) Deliveries. (7) Great Britain. (8) Excluding all screening losses normally amounting to around 5,000 tons a week. (9) Average for third quarter. (10) England and Wales. (11) Generation for public supply. (12) Total available at gas works. (13) Average for second quarter. (14) On 1948 Standard Industrial Classification; later figures on 1958 classification. (15) Also including metal manufacture.



SENIOR FINANCE APPOINTMENTS

Exceptional opportunities are offered to able and experienced men who can meet the uncompromising standards required for senior finance appointments in Ford of Britain. Prospects will not be limited to finance work as the company management development policy ensures that men of high general ability are detected and advanced as rapidly as their capacity can sustain. Salary and promotion consequently depend entirely on ability.

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Application should be made to: Director, Building Research Station, Bucknalls Lane, Garston, Watford, Herts, quoting L.87/09 by October 22, 1962. (5)

For further appointments and other classified advertisements see page 86

KING'S COLLEGE, CAMBRIDGE

The Governing Body of King's College will shortly elect to a Fellowship associated with the names of the late Arthur Berry and Frank Ramsey, former Fellows of the College. Candidates must be male members of any University in the British Isles under twenty-eight years of age at Michaelmas 1962 (but any period of national service, illness or professional training may be taken into account), whose study or research falls within the following group of subjects: Mathematics, Philosophy (including the Philosophy of Religion), Economic Theory.

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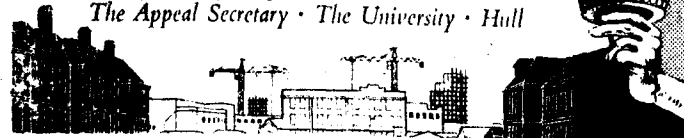
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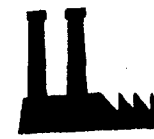
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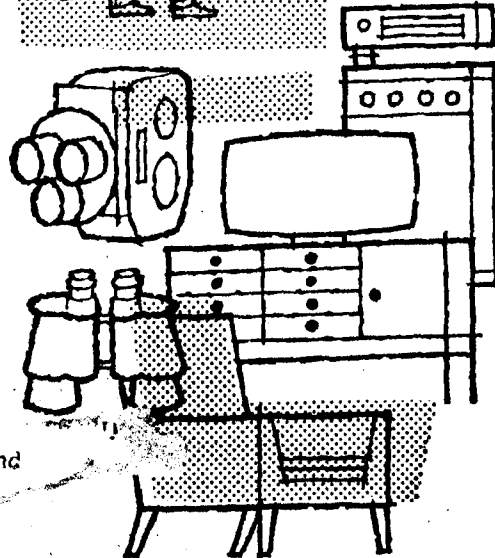
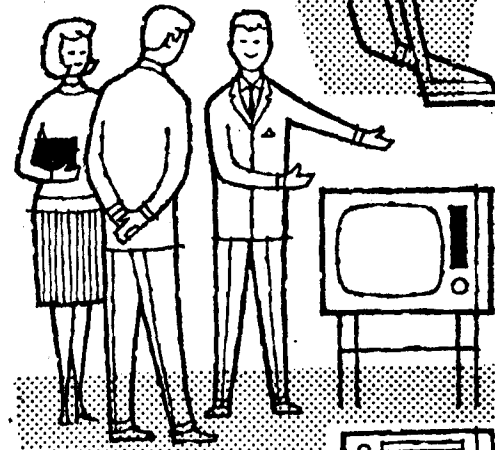
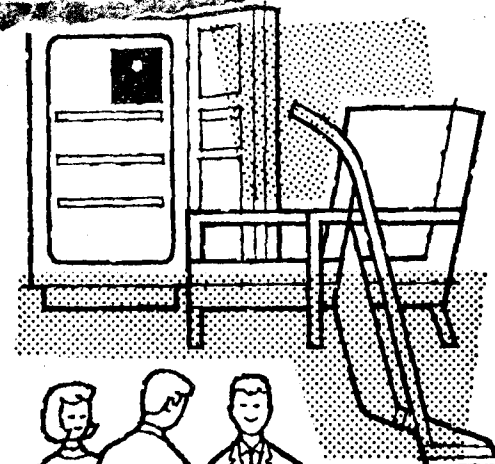
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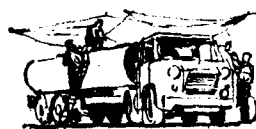
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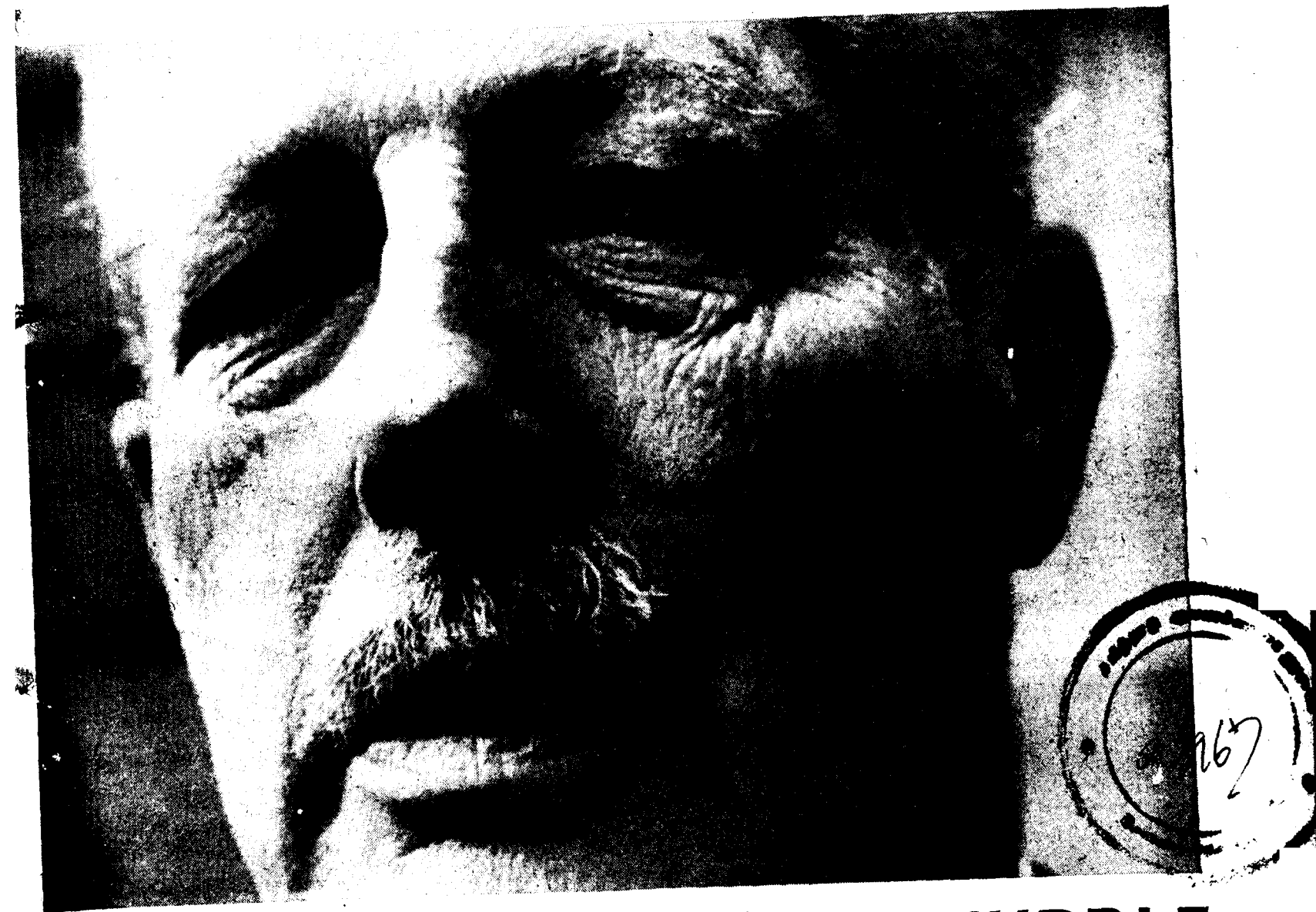
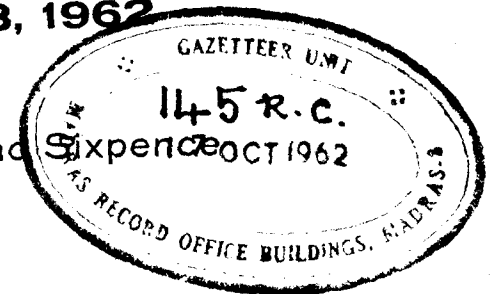
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The Economist this Week October 13, 1962

HOME

FAIR OF FACE

The Conservative party has lifted Mr Macmillan over his political European hurdle: Mr Gaitskell's carefully planted electoral time-bomb could still blow up in his own face (p. 113).

But even their European enthusiasms could not make the Tories, assembled at Llandudno, anything but dull (p. 147).

Sir Roy Harrod against the common market (p. 146).

FULL OF GRACE

The Trades Union Congress has had an unrivalled opportunity thrust upon it—and seems to be grasping it with both hands (p. 118).

But the railwaymen and the London busmen are both teetering on the brink of hasty strikes (p. 121).

FULL OF WOE

Sir Matthew Slattery has correctly assessed the condition of BOAC's financial set-up;

the next step is to put his crazy house in order (p. 161).

Britain's balance of payments might have reached a high-water-mark in the first half of 1962 (p. 165).

The Government may be going to legislate on the care of children: proper attention should be paid to preventing as well as curing the family ills afflicting the young (p. 122).

FAR TO GO

The new Minister of Defence must pick up the pieces of his predecessors' half-policies: in the long term he must sternly choose whom to be interdependent on; in the short term he can make the forces contribute to the technical progress of the nation (p. 118).

The gas industry is treading the long road towards its financial objectives (p. 173).

More development is needed before hovercraft can provide a practical service (p. 174).

On the latest taking of industry's pulse there is no sign of a quickening tempo (p. 169).

LOVING AND GIVING

Bankers are ready to lend more freely—and the authorities are ready to let them do so; but a big expansion in advances will not necessarily follow (p. 163).

The release of some post-war credits is certainly a way of pumping cash into the economy—but are there not some better, and more socially welcome, methods in this funny world? (p. 125).

HARD FOR A LIVING

Tough bargaining lies ahead before the National Coal Board's position within an enlarged European Coal and Steel Community is finally settled (p. 170).

New provisions to help the disabled back to active life would not be pure philanthropy—they could usefully add to the labour force (p. 126).

The grim cities of the English north-east are working to develop a cultural gloss as well as an economic structure (p. 148).

INTERNATIONAL

GREAT WHITE FATHERS

Charles the Tall: General de Gaulle may be doing his best to put an end to his reign. But his opponents have still to wait on what he may do next (p. 114).

• The constitutional crisis in France adds a new touch of uncertainty to Britain's negotiations with the common market (p. 120).

Francisco the Fat? General Franco has the opportunity of guiding Spain into the modern era of western-style prosperity (p. 116).

Mac Coeur de Lyon: Mr Macmillan has grasped at the opportunity of guiding Britain into a prosperous Europe (p. 120).

Tito Through the Tulips: The Yugoslavs are tiptoeing through the difficulties of surviving in a Europe that contains both the common market and its communist counterpart (p. 133).

Dief the Deft: The shaky Canadian government headed by Mr Diefenbaker has

collected curious, but indefinitely useful, support from the Social Credit party (p. 129).

FARTHER OFF

Ugandanisation: Mr Obote, prime minister of the newly-independent Uganda, is faced with the task of welding a nation out of the state born on Tuesday (p. 131).

Congo: Britain is faced with a clear responsibility (p. 122).

India: Has determined on a test of China's intentions in the Himalayas (p. 125).

Mr Nehru can do little, however, for the million stateless Tamils in Ceylon (p. 125).

But his Congress party has been able to fix things in Kerala (p. 132).

United Nations: The party is hotting up, and the night is still young (p. 122).

Yemen: Our special correspondent describes the cautious demeanour of the revolutionary leaders (p. 130).

FOUNDING FATHERS

The current state of the union:

There is a close link between slum clearance and racial desegregation in the United States (p. 137).

President Kennedy dived into the election campaign this week (p. 141).

Cuba is becoming a perilously important campaign issue (p. 138) but the Republicans are also making grist out of the crisis in Mississippi (p. 141).

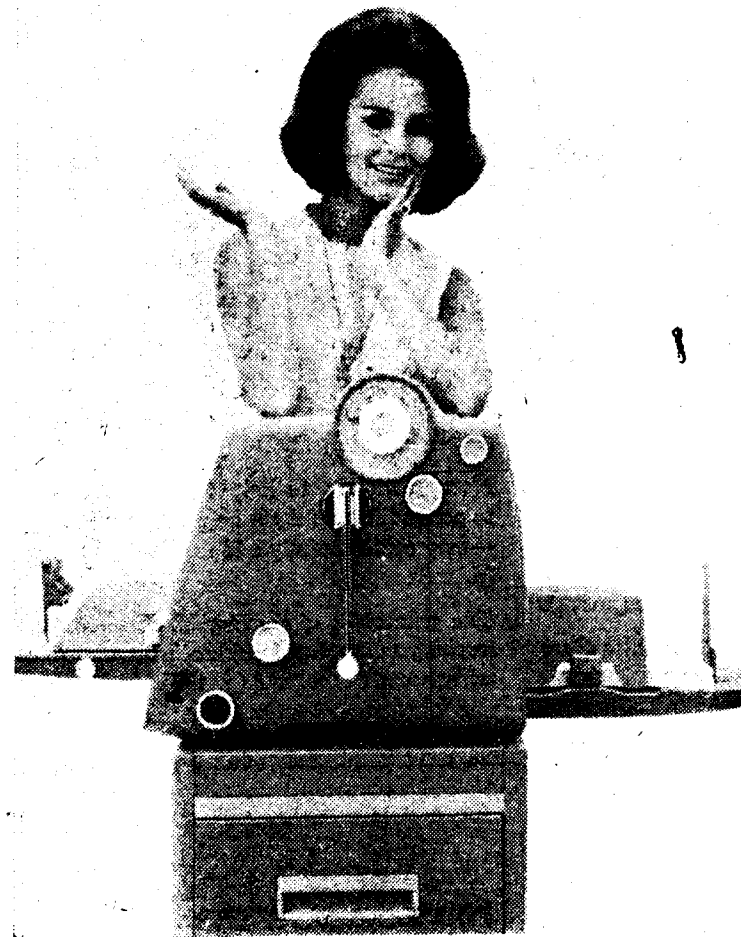
In Idaho it's all a gamble (p. 142).

Congress is in no hurry to free the Treasury from its obligation to support the price of silver (p. 145).

Civil servants have received two last-minute presents from Congress and letter-writers will have to pay for one of them (p. 141).

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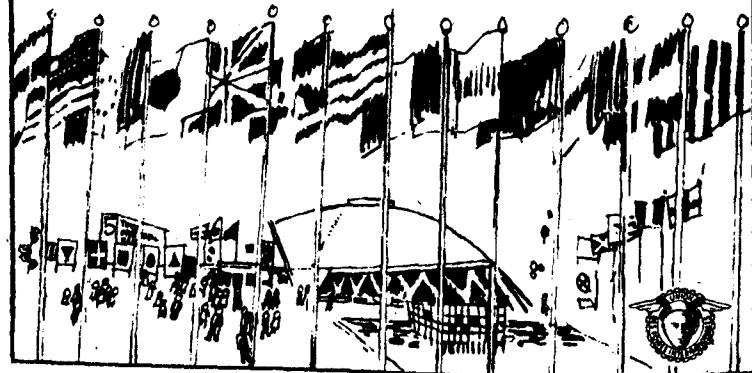
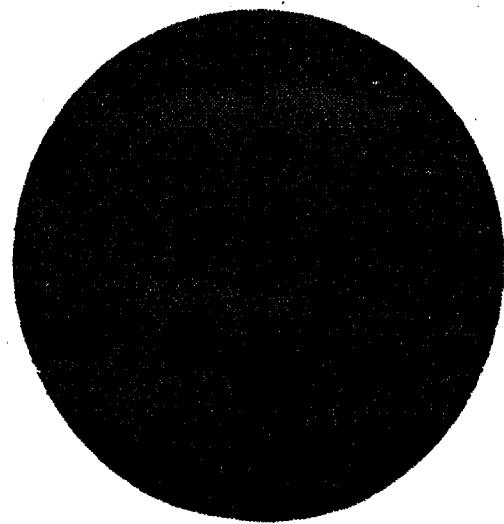
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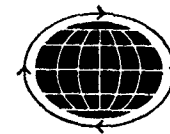


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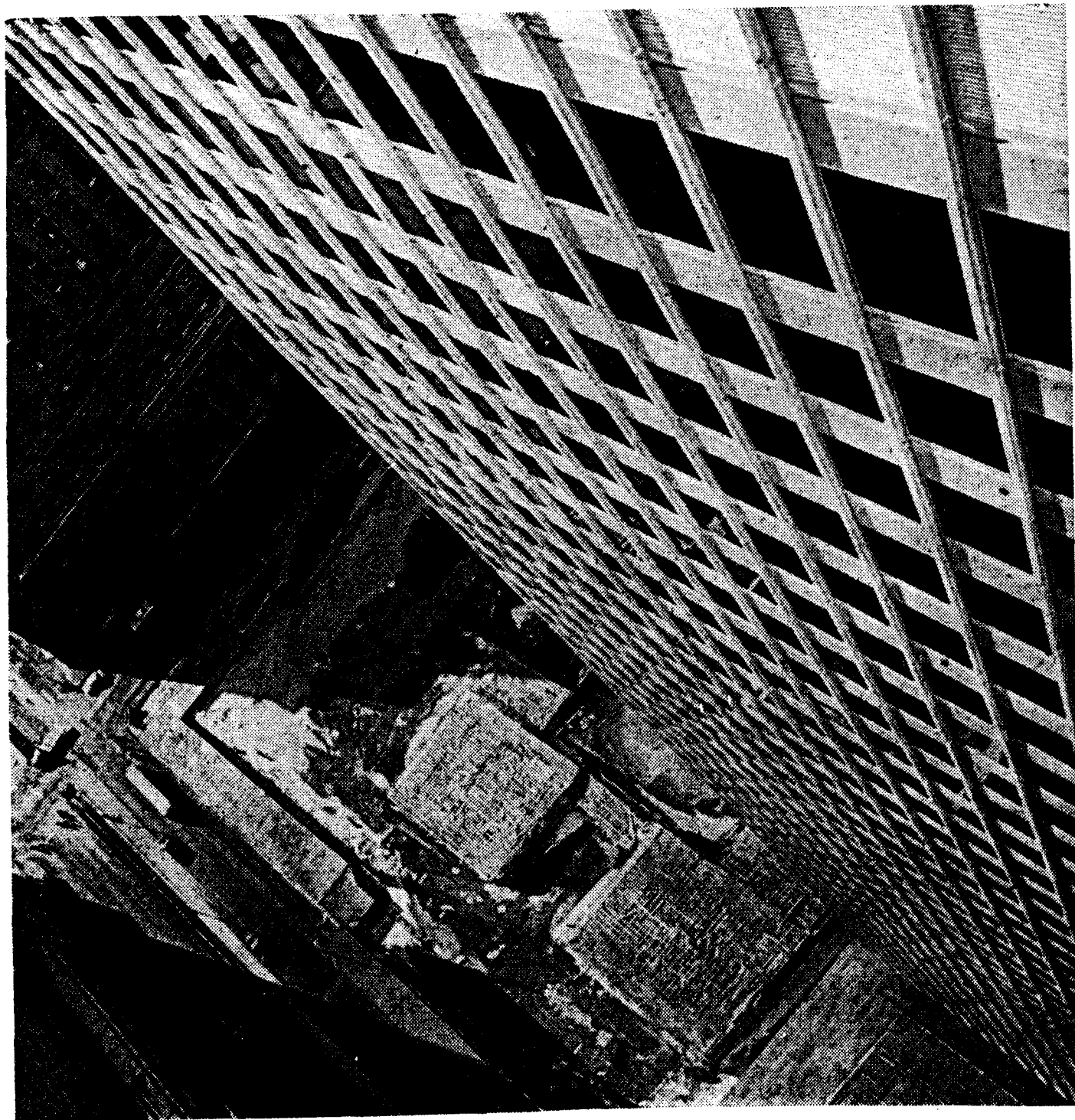
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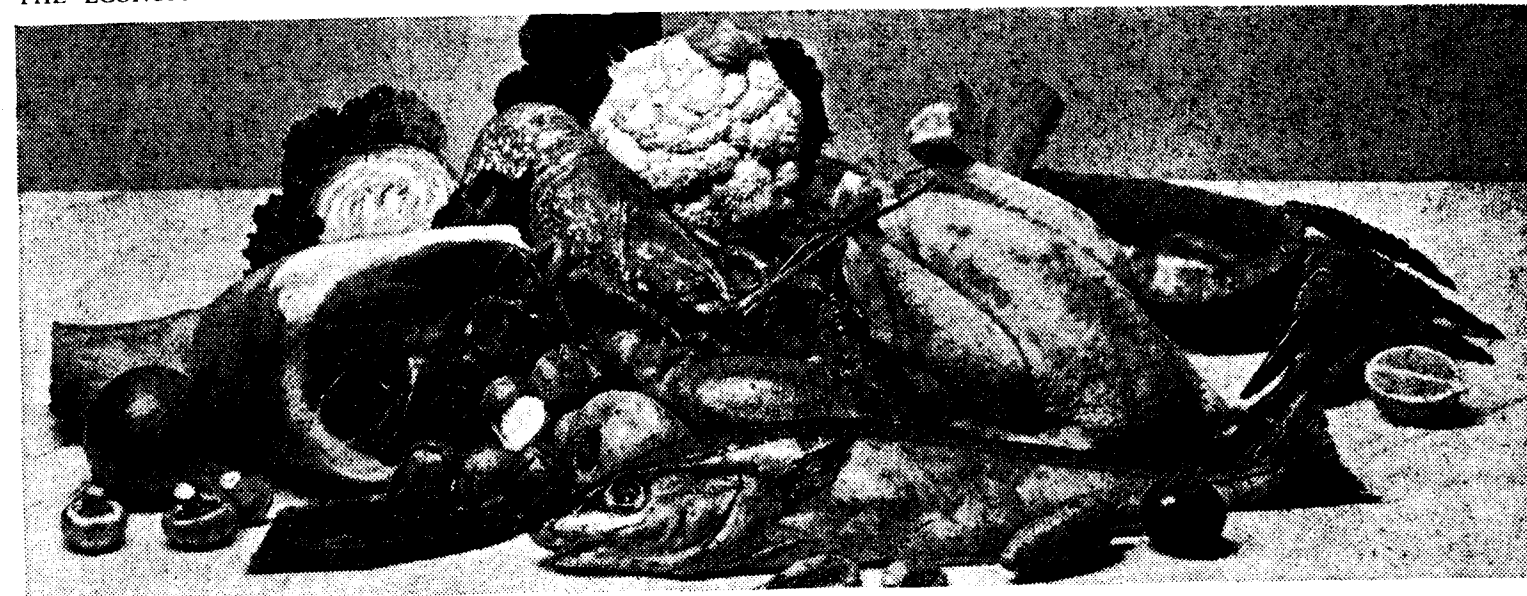
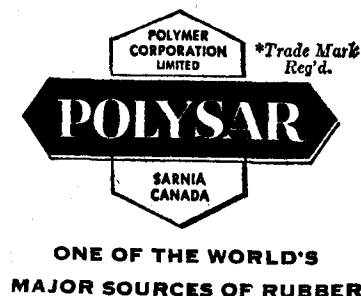


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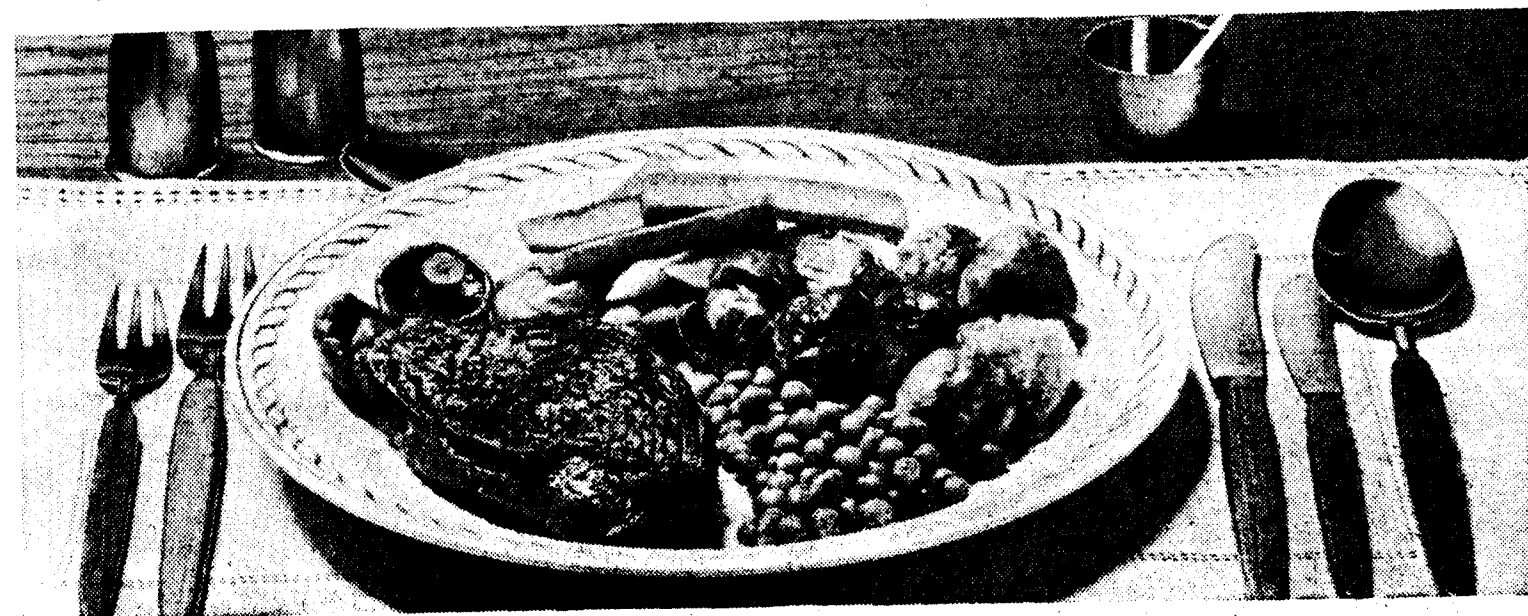
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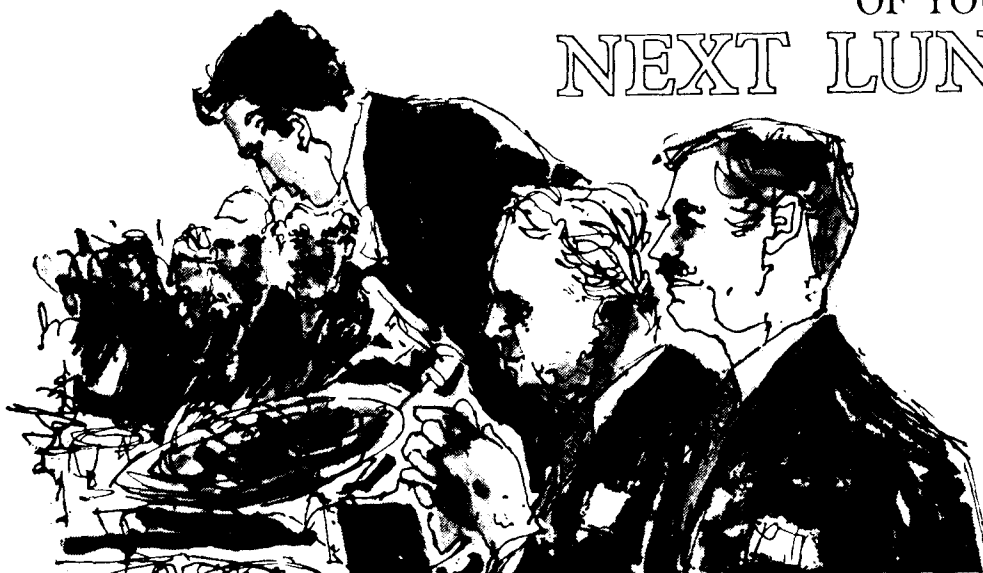
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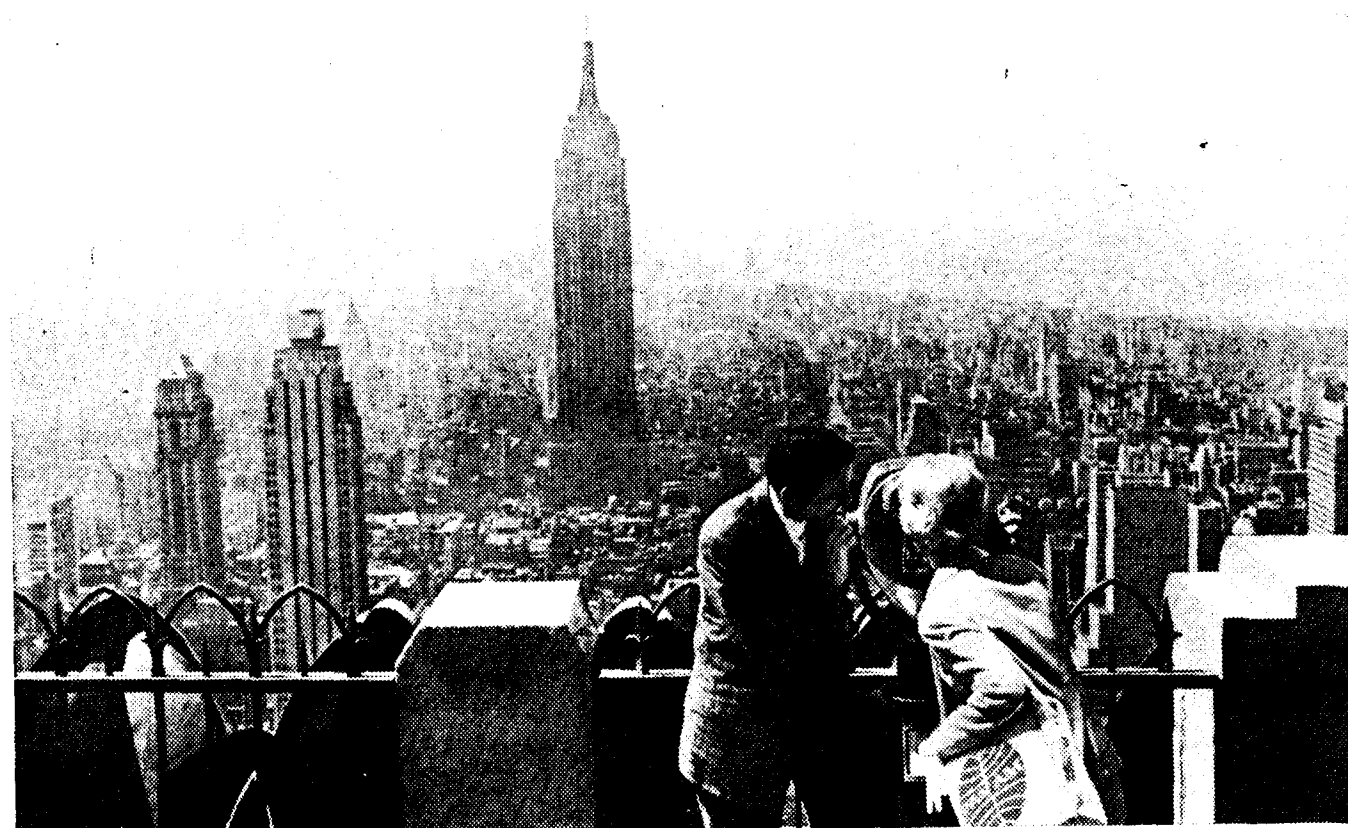
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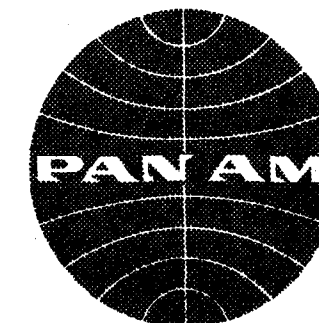
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Other securities	9,425,595
Loans	2,398,518,617
Customers' acceptance liability	135,449,350
Stock of Federal Reserve Bank	12,750,000
Investment in subsidiary companies	6,720,496
Bank premises	25,958,226
Other assets	77,308,571
	<u>\$4,943,872,269</u>

Liabilities

Deposits	\$3,935,477,094
Funds borrowed	174,600,000
Reserve for expenses and taxes	45,482,650
Liability on acceptances	136,238,326
Dividend payable October 15, 1962	7,540,000
Other liabilities	58,898,384
Capital — 7,540,000 shares	
— \$25 par	\$188,500,000
Surplus	236,500,000
Undivided profits	160,635,815
Total capital funds	<u>585,635,815</u>
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The Economist

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VOLUME CCV • NUMBER 6216

Over Llandudno's Hurdle



THE first political hurdle into Europe has been cleared, with almost derisory ease. The Conservative party conference at Llandudno on Thursday made it clear that the party's stalwarts were not going to block the road forward which the Government has now so plainly determined to take. It may be that the force which swayed many of the most conservative hearts in England this week was political calculation rather than visionary love for a European brotherhood. Not to follow their leader now, the older Conservatives told each other, would land their party in the electoral soup. But political calculation has been at least as strong a factor in causing many in the Labour party to follow Mr Gaitskell on to the backwater side of the fence, as it has now been in impelling their counterparts in the Conservative party to follow Mr Macmillan on to the side of welcoming change. And the spectacle offered at Llandudno this week—of a supposedly tired and worn out Government, eleven toiling years old, flexing itself for such a bravely historic venture as this—rightly carried a real sense of exhilaration with it. At Brighton last week exhilaration was a difficult emotion to feel.

The vote at Llandudno is important because of the effect it is likely to have on any eventual vote in Parliament. The number of Conservative MPs who will refuse to follow Mr Macmillan in voting for the market now looks as if it may actually be less than the number of Labour MPs who may refuse to follow Mr Gaitskell in voting against it; even if it is not, the Prime Minister's parliamentary majority on this issue seems secure. That being so, there now seems to be only one internal political event that could still keep Britain out of the common market: namely, if Labour succeeds in forcing and winning a general election before Britain's signature of the Treaty of Rome comes into effect. Whether there are any circumstances in which Labour will be able to force such an early general election is doubtful; but obviously discussion is now going to centre more and more on the one way in which some Labour sympathisers think it might be done. This is if Mr Gaitskell drops what has been called his H-bomb: namely, if he announces that a future Labour Government would feel itself free to repudiate a Conservative Government's signature on the treaty.

It is becoming increasingly clear that this is what the hidden struggle at the Labour conference at Brighton last week was really about. The evidence is mounting that at the beginning of last week Mr Gaitskell was starting the preliminary count-down for his nuclear explosion: the button was not to be pressed until the final terms became known—in several months' time—but in the meanwhile Mr Gaitskell was hoping to get certain impediments out of the way. Specifically among those impediments—there is no point in being mealy-mouthed about this—was Mr George Brown; Mr Gaitskell's expectation was that, thanks to what he himself had said in the opening speech of Labour's common market debate, Mr Brown's closing speech to that debate would be booed. The most significant feature of this year's Labour conference was that Mr Brown's speech was not booed; and following it a number of big trade union leaders, realising what was being prepared, have rallied strongly to Mr Brown's side.

The need now is not to preach more moral sermons at Mr Gaitskell; it is to appeal to his sense of political calculation. If he did set off the weapon of threatened repudiation, and if Mr Macmillan still pressed on with the negotiations, one of three things could happen. First—and this is what the Tories

themselves expect to happen—the Government and the other countries of Europe might simply ignore the threat. Mr Macmillan might sign his treaty, and carry on governing until October, 1964; by that time Britain would be so far integrated into Europe that many people believe that Mr Gaitskell, even if he returned to power, would not in fact be able to revoke. Secondly, the threat might cause such a split in the Labour party (and, possibly but not at all surely, such spontaneous revulsion throughout the country) that the public opinion polls might swing violently against Labour; in that event Mr Macmillan would no doubt be only too eager to call an election, probably between the treaty's signature and its coming into effect—say, a poll in October, 1963. But it would then be Mr Gaitskell's own party that would have been blown up by his H-bomb.

Thirdly—as those around Mr Gaitskell are insistently telling him—the Six themselves might conceivably insist on a general election in Britain before any new Treaty of Brussels came into effect; so that the Tories might have to go to the country while the polls were still in Labour's favour, and Mr Gaitskell might come to power. But he would do so in circumstances where his election campaign would have caused cold fury in the Kennedy administration as well as deliberate insult to the Six; he would rule over a British government initially divorced from all its allies, deplored, distrusted,

written off by those allies as a weak deserter (but an increasingly unimportant one) from the cause of free world union, bickered at, suspected, outcast and alone. This would be the worst possible result for Britain; it would also be the unhappiest possible personal result for Hugh Gaitskell himself.

It may seem unfair to anti-marketeers to point out these alternatives; they are in effect being told that their stout fight for Britain's independence is gravely hampered because Britain is already not really independent. But the political difficulties originally lay wholly against those who advocated this huge change of Britain's entry into Europe. If the difficulties have now moved against the other side, this may be partly because members of that other side have been clumsy and tardy in their political manoeuvring; but it is mainly because they are by now fighting against the reality of a historical trend. The truth about this year's two main party conferences seems to be that Mr Macmillan has got himself over a hurdle, and Mr Gaitskell has got himself over a barrel. The next few months will show how far he really intends to go on trying to pull the country down on to that barrel with him; he must not think that other spokesmen in the country are being unjust if they shout at him that he shouldn't.

(A report from our special correspondent at Llandudno appears on page 147).

Gaullism versus Politics



General de Gaulle has gone out of his way to unite his opponents. Can they unite themselves?

LITTLE need to recapitulate in how many ways France has bettered its position in the world in the four and a half years since it submitted itself, with a sigh of relief, to General de Gaulle's authority. He has sufficiently reminded the French nation of them himself, most recently in his radio and television address on October 4th, the day Parliament and Presidency in the French state went openly to war. A France in "the full flight of prosperity and social progress"; a solid franc, a balanced budget, a favourable balance of trade; the last big stage of colonial withdrawal accomplished; it is all true.

Even General de Gaulle's assertion (to quote his broadcast again) that France's "weight and radiance are recognised throughout the world" keeps safely this side of absurdity. Whether all the credit goes to the institutions of the Fifth Republic, as he will have it, is a question that can be argued about. The parliamentarians will be arguing it out during the referendum campaign and the election campaign that will occupy them between now and the last week of November. Here it is not necessary to carp. Another question is more germane and more pressing: how is it that the brilliant

achievements registered under the Fifth Republic have been accompanied by no reform, no realignment, no revival, no consolidation of France's political life? For this is the deadly fact brought home by the present political and constitutional crisis. As M. Fauvet put it in *Le Monde*:

It is not right to say that we are going back to the Fourth Republic. We are there already—and by the fault of the Fifth. By his analysis, which is hard to refute, French political life has derived no sort of renewal from the Gaullist experiment. It has merely enjoyed a moratorium, and now that the chief occasion of the moratorium—Algeria—has been sloughed off, the old structure is stirring into life and the old laws are working again. The bitterest enemy of those laws and that structure is General de Gaulle. Serenely operating, as he still does, the levers of power, he has done nothing to change what he hates for the better; nor has he considered coming to terms with it. Watching the constitutional crisis unfold has been like watching a Greek tragedy. General de Gaulle has courted the conflict with the parliamentary parties, and in courting it has spared no contemptuous word or gesture that could sting them, indeed force them, to unite and resist him effectively. As it would seem, he has not been counting consequences but simply obeying, with pride, the laws of his nature that have made him what he is. To tell the general,

as many old admirers have been telling him, that such a course must end badly seems not only embarrassingly banal, but, in a ludicrous way, impertinent; he can hardly not know.

It was as such admirers, one by one, from M. Paul Reynaud and ex-president Coty to the MRP (Christian Democrat) leaders who withdrew only in May from the Pompidou government, came out against General de Gaulle's latest referendum that it became clear, in the course of last week, that the moment of collision had come. The Senate made its feeling plain by the demonstrative manner of its re-election on October 2nd of M. Gaston Monnerville, a root-and-branch opponent of General de Gaulle's constitutional ideas, as its president. In the Assembly, all five groups (six, if the handful of Communists is included) other than the Gaullist union (UNR) itself united behind a motion to censure not the president directly, but the government of M. Pompidou which shared the responsibility for the president's referendum.

EVEN so, not a few members in the alliance of opponents would have been prepared to give General de Gaulle the substance of what he wanted, the election of future Presidents of the Republic by direct popular vote, provided he had been prepared to seek it in a constitutional way, consulting Parliament. What they could not stomach was the recourse to a plebiscite to change the constitution without any reference to Parliament at all. It was the unconstitutional procedure, and not the substance of the change, that united an opposition vote of 280 deputies (39 more than the quorum) behind the motion of censure at 4.40 a.m. on October 5th.

What followed was full of the irony of contrast between the institutional working of the Fourth and Fifth Republics. General de Gaulle had sensibly gone to bed, leaving orders not to be disturbed. He got up early and set out for a day in the Champagne, watching the army manoeuvres; M. Pompidou could not get to see him till Saturday, and then well on in the morning. Accepting M. Pompidou's resignation, the President asked him to carry on the government until the next National Assembly had met; he had decided to dissolve the existing one.

Thus, under the Fifth Republic, a parliamentary vote of censure produces not a new government, but a new Parliament. The referendum, fixed for October 28th, will go ahead, and the constitution will presumably be changed *de facto* against the juridical protests, as well as the political objections, of both chambers, leaving a rich field of constitutional dispute and uncertainty for some future time. By and large the French electorate is not expected to resist the flattering invitation to take over from the present electoral college the job of electing future heads of state. All the same, the voting figures will be anxiously watched, since this referendum will be treated as yet another personal vote of confidence in General de Gaulle; he has intimated that that is how he will regard it.

Next, in the latter half of November, will come the general elections to the new National Assembly. If he had wanted a working majority in the Assembly for the government that functions under his wing, General de Gaulle might have done better to order these elections last April, after the Algerian settlement. Many people at that time expected that he would, but instead he chose to install M. Pompidou and to make his life impossible. This time, for all that General de Gaulle

may win his referendum, his chance of a working majority in the next Assembly looks thin. Suppose the next government is censured like M. Pompidou's: then it, too, has to resign, but the Assembly cannot, in its first year of existence, be dissolved. Thus the president must either find a government acceptable to the Assembly (which, one has to suppose, would be a government unacceptable to him), or he must invoke Article 16 and govern without parliament, through emergency powers (which can hardly be what he wants); if he will do neither, the only way open seems to be the road back to Colombey-les-Deux-Eglises.

NO WONDER the word is going round in Paris that the reign of Charles the Tall has virtually come to its end. The word is premature. Referenda have been so frequent, and so unnecessary, under the Fifth Republic that one can only conclude them to be in some way a psychological necessity for its towering president. A big enough majority in this one, on October 28th, may give him reassurance, and if he determines to go on governing he still has many a shot left in his locker. As for the opposition, its locker is full of shot but its rigging is bare of sail. The republican parties, as one must once again call them, are united in opposition to General de Gaulle's insufferable contempt of Parliament. Are they united in anything else? The issues of the recent past—Algeria, economic and social policy, the schools—divided them just as under the Fourth Republic; so that although a majority could always be said to exist, it was a different majority on each subject. Even now they are not wholly united in opposing General de Gaulle's plan for the Presidency, only in opposing his indefensible way of putting it through.

Just conceivably, it might be possible to piece a working anti-gaullist majority together on a programme of European integration, coupled with a new policy of co-operation with the United States and support for the Atlantic alliance: an attempt to hold the real gains of gaullist foreign policy while dropping its more overweening pretensions. If this were to happen, it would have interesting implications for the British, who would then have every inducement to make haste into Europe, but who would no longer be able to deceive themselves that European political union was a chimera, rejected by General de Gaulle and therefore not to be worried about. But it is a shape on the horizon, no more.

One further vast uncertainty remains, and General de Gaulle may yet see a way to use it to hold his opposition in check. The Fourth Republic was overthrown in 1958 not by force, but by the fact that when the soldiers withdrew their obedience from it, its leaders allowed power to drop from their hands. General de Gaulle has, to put it bluntly, cheated the soldiers of what they stood out for in 1958. Their last overseas position gone, they are now virtually thrown back on metropolitan France as the last field in which to discharge what sense of national mission they still feel. General de Gaulle has worn them down and outmanoeuvred them, using as his one weapon the singular presumption that he alone incorporates France.

His personal "assumption" of power (his own word) has, by a narrow margin, been triumphantly effective. But, with this one man taken away, where will power in France rest? The political parties may hope that it will revert to them. But

can they be sure? If they are not sure, they can still be outmanœuvred. This is not to deny the genuineness of the change of feeling among the parties that makes last week's parliamentary debates a landmark. The parliamentary correspondent of the *Berry Républicain*, M. Rouanet, commented last week on the note of sincerity in the utterances of their

The Next Economic Miracle?

The next country to break through into a massive economic advance may well be General Franco's (or his successors') Spain

ALL the signs suggest that the next "economic miracle" in Europe ought logically to be a rapid and massive advance in the economy of Spain. The infrastructure for such an advance exists. At present 42 per cent of Spain's labour force is still scraping a bare living in agriculture (where it supplies only 27 per cent of a gross national product which is still less than £100 a year per head); but when Spaniards have emigrated as modern industrial workers to other countries, such as Germany, they have proved to be both industrious and easily trained. The scope for domestic industrial change in an underemployed European society of this sort ought now to be very large indeed. Besides this underutilised labour force, the country has an able and ambitious managerial class, a settled financial community and a most fortunate geographical position on the periphery of western Europe's booming market. What has so far held Spain back is that the Spanish government seems to have repeated in the 1950s all the errors of economic policy which the rest of Europe perpetrated in the late 1940s; now in the 1960s, unless new economic errors intervene, it might well start to do something of what much of the rest of continental western Europe did in the 1950s.

If one remembers that it marched through the cycle of economic clumsiness a decade late, the parallels between the Spain of the 1950s and the Europe (or for that matter the Japan) of the late 1940s look almost spookily exact. After having remained isolated from its neighbours, largely for political reasons, during the first five postwar years (so that by 1950 its national income per head seems still to have been below the depressed pre-civil-war level of 1935) Spain started in the early 1950s to reflate internal demand. In this new policy it had some statistical success (between 1951 and 1958 industrial production increased by about 75 per cent), but it made the same errors as many more left-wing European governments had made between 1946 and 1950; it pumped in the fresh demand against a dam of inflexible physical controls that seemed almost designed to divert the country's productive effort into all the wrong places.

The Spanish government's economic policy in this period was one of Daltonism and Crippsism plus. Throughout the 1950s, price controls prevented any growth of a healthy market economy. Rigid import restrictions and allocation controls on raw materials protected the inefficient, making it impossible for firms to grow according to their profitability, but only according to what ration of raw materials or other scarce resources they were permitted to have. A featherbedding labour

leaders on the constitutional question—"a note one had not heard for four years." This is accurate. A sense of political responsibility is in the air; France's normal political leaders once more feel themselves to be representative men. The weakness of the gaullist system is that it has never quite allowed for this development.

law made it impossible for overstuffed concerns to dismiss any of their redundant workers for "economic" (as distinct from "disciplinary") reasons without prior permission from the Ministry of Labour. The tax system discriminated between different enterprises, not according to efficiency but according to status in official favour.

An extensive system of subsidies, which took the form partly of specially favourable prices between state enterprises and partly of concessionary interest rates, piled further distortion upon further distortion. Rigid controls were maintained over any enterprise that wanted to undertake new investment. Throughout the 1950s about half of the nation's fixed investment was undertaken by a gaggle of 1,600 autonomous organisations within the public (i.e., government) sector of the Spanish economy; many of these operated on no known grounds of economic principle, but largely on principles of bureaucratic prestige or pull, with a persistent tendency towards approving projects that were showy rather than those that were profitable. (There are still groups of the underpaid Spanish civil service whose earnings depend on the volume of investment projects that their departments start, because of the professional fees and other special charges that are then allowed.) Even when investment patterns were not determined by distortions as grossly personal as this, autarky was one of the aims of the whole system of "controlled" investment, so that particular concessions were granted towards (e.g.) those electric power projects that were based on the mining of expensive and inefficient Spanish coal.

The result was that the newly created monetary demand did not lead merely (or even mainly) to an upsurge of production in the most efficient growth industries; instead, it poured itself out into a series of raging inflationary whirlpools in narrow favoured sections, while everywhere else the growth of which the economy was by now capable was held back by physical controls. There was therefore—as in Britain during Daltonian days—an inevitable excess of demand over this absurdly strangled supply; and with this came the usual concomitants of a rapid inflation of prices and a large deficit in the balance of payments. In 1959 Spain reached its 1949; the peseta was devalued and the Spanish government set afoot a period of "economic stabilisation" and moderate deflation. The questions then were whether

(a) the devaluation would swiftly put the balance of payments to rights; whether

(b) the disinflationary stabilisation programme would cause money—and thus economic efforts to earn it—to mean something again; and whether

(c) Spain would thereafter proceed not merely to reflate demand again, but simultaneously to make a dash for freedom from controls and from bureaucratic distortions.

If Spain achieved all these things, it could lay much the same foundation for an economic miracle as Germany, Japan and Italy did in the early 1950s; most of the other pre-requisites for such a big economic advance seem to be in place, including even—and this is important for so Roman Catholic a country—a fall in the birth rate compared with prewar days.

So far the signs of burgeoning reform in the last three years are very hopeful. Questions (a) and (b) have already been satisfactorily answered; the balance of payments is back in surplus and price inflation has been largely checked. Admittedly, this has been achieved only at the expense of a standstill in production from 1958 to late 1961, but the check to production seems at last to have been permitted to impinge most sharply on the most inefficient sectors. (That, indeed, is largely why Spain has run into labour troubles in some of its least efficient industries, troubles which have caught its government politically on the hop.) Since late 1961, the government has started to re-expand demand again. Most important of all, during and since the "stabilisation period" bureaucracy has begun to remove some of its most crippling physical and other controls. The still too stately Spanish equivalent of a dash for freedom is on; and last week saw the publication of the document that might do most of all to hurry the process up. It was in March of last year that a team of seventeen experts from the International Bank for Reconstruction and Development, under the leadership of Sir Hugh Ellis-Rees, arrived in Spain at the invitation of the Spanish government. Their report, which has been in the hands of General Franco's government for some time, has now been published to the world.*

THE report is a fascinating document, not merely for the future history of Spain, but in the history of the advice given by international bodies of this kind as well. Unfortunately, a large part of it is written in world bankers' English, which is hardly a pellucid literary style. But the main recommendation is clearly stated, again and again. "The principal measure that the Government can take to establish an environment that is conducive to rapid industrial growth," declares the mission, "is to remove the controls which continue to hamper the free working of the economy." The mission runs its eye over the history of Spain's internal investment controls, of its allocation and rationing systems for industrial materials and of its price controls; all of these controls have been considerably whittled down in the last three years, but too many (price controls, in particular) still exist. "We are persuaded," declares the mission flatly, "that general economic conditions are now such that these controls can be removed." The same medicine is recommended, although a bit more guardedly and with some temporary exceptions, for import controls and export controls. The mission then plunges into a survey of the jungle of state subsidies which take the form of special prices between state enterprises and concessionary interest rates; always it recommends that these distortions should be whittled down, and usually that they should be virtually swept away.

This recipe of free market liberalism from the bank was to be expected, although it is good news that the Spanish

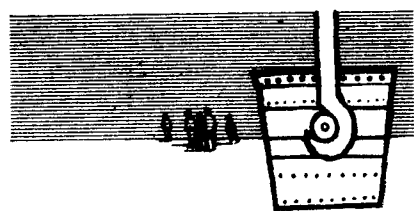
* "The Economic Development of Spain." International Bank for Reconstruction and Development, 352 pages.

government seems more than half-inclined to swallow it. What was less certain was whether the mission would also be progressive in its attitude towards the re-expansion of demand. The answer comes out happily. "It is only by a policy of stimulating the growth of the economy as a whole," declares the World Bank mission, "that a general solution can be found to the problems caused by disequilibrium in employment, income and regional development." It is true that the mission rears a bit awkwardly when it realises that this advice might logically lead it into the still unspeakable sin (to world bankers) of recommending that Spain develop on the basis of unbalanced budgets. But it recovers its equilibrium admirably. Spain, it thinks, should be able to plan its policies on the basis of expecting "an annual growth rate of 5 per cent per capita . . . over an extended period." "Taking the rate of growth of national income proposed above and assuming the same relation between the growth of income and of fiscal receipts that has existed in the past," says the mission, "the increase in public revenues that can be forecast would make it possible . . . to carry out over the next five years . . . development proposals. . . ."

In other words, by assuming that it will have an increase in tax revenue as a result of assuming that it will have an increase in national income, the Spanish government is told to engage in the reflationary policies from which a more strictly orthodox system of budget estimating would have held it back. This system of reflating demand while pretending that it isn't happening is the one that has worked so enormously successfully in Japan and Germany and other expansionist economies in the past ten years.

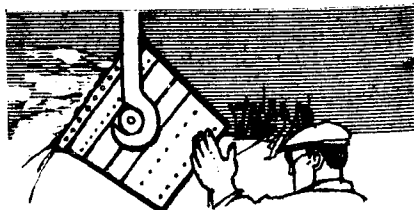
This article may have been too optimistic in its assumption that the sauce that has proved so successful for other golden geese may now be about to be applied equally successfully to the Spanish gander; it is a bit odd to base optimism for the future of the Spanish economy so largely on the fact that the recent mismanagement of that economy has seemed to be so unrepeatably ghastly. But, as the mission says, the foundations for growth appear to be there; Spain already has a wide range of industries, even such modern ones as consumer durable industries, although necessarily most of them are still working on a tiny scale. The dynamic could now well be set alight by the opening up of the economy to freer market forces, a process in which Spain's application to be associated in some way with the European common market could play a big subsidiary part. And if this happens none should welcome it more than those who so rightly deplore the unhealthy and undemocratic features of Spain's present political system.

If Spain does now go forward economically into something more like a west European standard of life, this will surely bring new attitudes and new sorts of men into positions of influence which will ensure that its governing classes cannot go on looking backward politically for ever. There is, after all, a proud past history on which this country can build. "Methinks I see in my mind a noble and puissant nation rousing herself like a strong man after sleep, and shaking her . . . locks. Methinks I see her as an eagle mewing her mighty youth, and kindling her undazzled eyes at the full midday beam. Methinks . . ." Well, it is rather fun to find oneself moved to quote Milton after reading a report from the International Bank for Reconstruction and Development.



Steelmen Unstuck

The Trades Union Congress must follow up its victory for common sense in South Wales



THE dispute between two trade unions that, until Tuesday afternoon, was threatening to bring a large part of the British steel industry to a halt, has followed a too-familiar pattern. The intervention of the Trades Union Congress, leading to a truce and to agreement by both unions to submit to arbitration, could set a new and infinitely more sensible standard for the future. This time the squabble over who-does-what has been between the Amalgamated Union of Building Trade Workers (83,030 members, several hundred in steelworks) and the Iron and Steel Trades Confederation (112,321 members): the bone of contention is the right to the job of lining with heat-resisting material the converters in which molten metal is transformed into steel. This has traditionally been done by ISTC members, but when the steel companies decided, instead of a lining of tar-like composition rammed into place, to use 90-lb prefabricated blocks of a similar substance, the AUBTW chose to claim that these blocks are bricks and should be laid by its own men.

In August the bricklayers stopped work at Corby in Northamptonshire, where the work has since been carried on by non-union volunteers from the company's staff; last week, having endangered the commissioning of the new integrated steelworks of Richard Thomas and Baldwins at Llanwern (and threatened other works on its way westwards) the dispute reached RTB's older plant at Ebbw Vale. There the management promptly (and not entirely convincingly) threatened to close the whole plant down—which would have meant catastrophe for the valley, 10,000 of whose men work there. Urged on by the local Member of Parliament, Mr Michael Foot himself, and by the local council, the TUC stepped in. After a 4½-hour meeting the bricklayers' union agreed to order its members back to work (many of them had been vocally reluctant to come out anyway in a strike that seemed to involve their union's prestige rather than their own jobs). The carve-up of work is still not resolved, but the AUBTW was persuaded to accept the verdict of an arbitrator—the ISTC having accepted arbitration from the start.

Of course there is more to this quarrel than meets the eye. The bricklayers fear that their jobs in the steelworks could fade away as new processes take the place of open-hearth operations: the open hearth, as big as a house, reconstructed every three months and built entirely of brick, has always been put up by craftsmen bricklayers. And the ISTC has for long been suspected by the craft unions whose members do specialist jobs in steel—electricians and engineers as well as building workers—of wanting to squeeze them out. The steelworkers' leader, Mr Harry Douglass, is a tough-minded right-winger who gets results for his members, in the form of high pay, sensible redundancy payments and so on, without too much truck with verbal militancy or formal delegate conferences; he does not lack critics to say that he is undemocratic, dictatorial and what you will (but not to his face). The latent conflict between the craft unions and Mr Douglass's quasi-industrial union has been simmering for a long time; just a year ago it came to the boil during another thoroughly avoidable strike, also of bricklayers, at Port Talbot, also in South Wales.

But whatever the underlying reasons for the obduracy of the bricklayers' union—and however much one may be surprised to find Mr Lowthian, the AUBTW's level-headed general secretary, mixed up in so stupid a business—there must be a warm welcome for the outcome. The great disappointment of this year's Trades Union Congress at Blackpool was the lack of a sense of urgency about union reform, even in the speeches of those who most clearly see the need for it. This week, however, Mr George Woodcock was faced with an inter-union dispute that clearly cried out for TUC intervention, and the publicity that the dispute got (and that union leaders and the local Labour council saw that it got) forced the building workers into a position where they had to accept arbitration, however poorly it may turn out for them. A couple of decisive TUC actions could do more to reinforce its prestige with its own constituents, and with the public, than any number of speeches.

Key in the Door?

DEFENCE planning always looks a mess: if it looks even more of a mess this year, at the time when decisions on next year's estimates begin to loom large, this need not be an unmitigated disaster. Mr Thorneycroft has inherited the almost concurrent collapse of two policies: of Mr Sandys's strategic bias toward going-it-alone (the Blue Streak philosophy which still has its carry-over in the irrelevant claims of political independence for the V-bomber-Blue Steel-Skybolt force); and of Mr Watkinson's worthy but ill-

British defence policy has to be adapted to the needs of a new western alliance — and to the new British society

rewarded trust in the interdependence of the *Otan des patries* (from which the tactical missile, Blue Water, has been the chief, but not the only, sufferer). Now Mr Thorneycroft has got to pick up the pieces.

There are three jobs to be done. The first is to integrate the existing British forces into a more cohesive structure of western strategy. Primarily this means using the remaining bargaining power that the V-bomber force represents in allied councils to encourage the marriage of American and European

interests in the joint control of the nuclear deterrent: there are several British options here. The second job is to gear future defence production (which means the British participation in the next generation of weapons systems) to the degree of economic and technological integration that can be expected both in Europe and in the North Atlantic area as a whole. In the absence of any political infrastructure on which to base a co-ordinated western pattern of defence production, how far dare an economy like Britain's now go in developing the weapons that will be needed after 1970? And Mr Thorneycroft's third job is to make the most efficient use of the armed forces he has got: to see that they have the capability to fulfil their Nato role, and their continuing role east of Suez; that they have the right equipment; and that they have the right kind of men. Here, too, there are decisions piling up.

Western nuclear strategy is enmeshed in two issues. Immediately, there is the American (and British) desire to get President de Gaulle's *force de frappe* into the harness traces of the alliance as a whole. There is a timetable here. The French deterrent does not exist now; if President de Gaulle has his way it will exist as a weak, dangerous and expensive force from 1964 onwards; if the pace of American

and Russian technology keeps up, the French force, like the British, will cease to count at all after 1970. The French factor is therefore likely to be a more transient one than most people have recognised. It cannot now be discouraged from emerging by scraping the British force; but its owner may (and only may) be more amenable to accepting the kind of joint target system that the V-bombers already share with the American Strategic Air Command if the French nuclear ambition is accepted in the United States as an objective fact. It is the Kennedy administration's responsibility to interpret the degree of



Atlantic symbol: Fylingdales missile radar.

French nuclear knowledge according to the revised terms of the McMahon act permitting co-operation with advanced nuclear allies. There are signs that Mr Thorneycroft encouraged his hosts to look at France in this light during his visit to Washington last month.

But the major problem is to integrate western Europe as a whole in an effective share of political control over the western deterrent. The perennial European fear that American policy on this side of the Atlantic may become dependent on Chicago's willingness to accept a Russian nuclear bombardment has not been wholly assuaged by the reality of the present American commitment to the alliance. Britain and France have expressed their fears by building, for good or bad reasons, their own attempts at a deterrent; west Germany

is still at the stage of words. There is a military choice now for Mr Thorneycroft to make. He could still, conceivably, do no more than keep the V-bombers, armed with Skybolt, in being up to 1970 as a small fraction of the American effort, and plan to contract out of any subsequent major weapons system altogether. This would be at odds with the political attempt to enter Europe. Or he could disperse his V-bombers throughout western Europe with the French Mirage bombers and fall in with the Europeans in calling this deterrent politically independent of Washington. The logical next step, if the governmental infrastructure existed, would then be for the Europeans to join in producing their own post-1970 deterrent-of-a-kind. If this were a local version of the Polaris or Minuteman systems (both relatively cheap, inter-generation weapons) Europe might be able to afford it. But this would be a wasteful duplication of American weapons that are already in existence; and the European deterrent would still be likely to have as little credibility, compared with the next generation of Russian defences, as the V-bombers possess now.

OR there is a third option. Mr Thorneycroft can try to get into Europe, call the resultant Anglo-French force as independent as he thinks convenient, but then use this key to unlock the door to a joint Atlantic system. The balance of military and economic, as of political, advantage is overwhelmingly behind this course. Up to 1970 Europe will thus have a deterrent (and a say in deterrent policy) that depends on the American Skybolt for the V-bombers and on the American refuelling aircraft that are needed to get the Mirage bombers beyond Brest-Litovsk. This is not independence, although it might pass as such politically. But in this period the need is to develop the Nato nuclear committee from an educatory into an advisory and then into an authoritative body. At the same time a separate international force, directly under the Supreme Allied Commander, Europe, can be built up to supply tactical nuclear firepower. The existence of such a force, by itself, implies a political authority to decide on whether or not to extend a battlefield as far east as the Polish border. Within an established context of this kind Europe could then expect (and North Atlantic military and economic necessity could well dictate) a European share in the development, construction and manning of a sophisticated strategic, probably orbital and certainly post-Polaris and post-Fylingdales, weapons system. This is the reverse of the third force concept. On no account should Mr Thorneycroft's entry into Europe be in pursuit of that already obsolescent military idea.

Immediately, therefore, Mr Thorneycroft should stamp heavily on those defence planners who (simply because this is what they are paid to do) are now pressing for Britain to develop the semi-obsolescent strategic weapons that the British economy, or the European economy, could just about hope to sustain. This includes Polaris, either the true underwater (i.e. European-financed) Polaris or the cut-price (i.e. independent British) variety that would be stuck into surface ships. This is, in fact, the year of all years when political and military uncertainties make it impossible for anyone in London to lay his hand on his heart and say that British expenditure on such-and-such a prospective post-1970 weapon would be justified. The lead-times for such weapons are already becom-

ing a problem, but only after Mr Thorneycroft has got into Europe and can begin his second job of co-ordinating defence production can concrete decisions of this magnitude be risked. This reality should show up in next year's estimates.

THE third job, of making the best of what exists, is one that occupies all defence ministers but is one which Mr Thorneycroft, arriving in office with the actual achievement of all-regular forces, should consider of exceptional importance. By ploughing the savings on Blue Water into conventional arms the minister has shown that he has grasped at least one of the glaring weaknesses in the British defence posture in Europe and outside it. But in the very success of the army's recruiting drive in the past year there lurk two dangers—which add up to a major opportunity. There is the danger that professional armies grow apart from the societies that produce them: this can be particularly serious in relation to the prestige, and the efficiency, of the technical and supply services on which modern forces are utterly dependent. There is the second danger that any upturn in the economy, and a belated increase in the civilian technical training facilities for school-leavers, may in the future deprive the services of the kind of recruit they most badly need.

The Economist has argued in the past that the services should be given funds specifically to turn themselves into model educators and employers of technical personnel; even

if they lose 80 per cent of their trainees to civilian employment after an initial period of service, this would still be all gain to the economy at large. This argument did not find favour with the Admiralty (which has had little or no recruiting problem, partly because it does provide good technical training and has given its technical grades, up to wardroom level, a proper status); nor did it find favour with the army which, desperately short as it was, could not afford to release skilled personnel as instructors and preferred to try to get half its tradesmen in from outside. The success of recruiting in making up sheer numbers may help to reduce some of the army's objections. For this is, in fact, the time for all the services to look ahead towards the type of educationally-superior entrant that they, like everyone else, will need in the later 1960s. It may be the last chance to capitalise on the failure of the educational system as a whole to cope with 16-year-olds of good potential.

The services ought to be expanding their own training facilities dramatically; they should be encouraged to play a part, with their own sandwich courses, in new technical colleges; and they could, by demonstrating the practicality of vocational training well above existing apprenticeship standards, become unexpected catalysts in overhauling ordinary industrial practice. The services have got to gear themselves to the new society in every way they can. This is one central role that Mr Thorneycroft, among his other preoccupations, should insist that they play.

NOTES OF THE WEEK

EUROPE

MacMarket

AT last the Government's long-awaited campaign in favour of British membership of the common market has begun. Following up his firm speeches at the Commonwealth conference and on the television, the Prime Minister has now committed himself in print to wholehearted advocacy of British membership of the common market. His pamphlet "Britain, the Commonwealth and Europe," published by the Conservative Central Office on October 7th, wastes no words on the terms of an agreement or the possibility of failure to agree. The case for joining is put without qualification.

Conservative morale should be stiffened, too, by the loud support ministers have been giving to the Prime Minister. In the fortnight before the party conference Mr Thorneycroft, Mr Macleod and Mr Maudling all put the European case forcibly. Thus the rumour, sometimes heard in the constituencies, that Mr Macmillan is riding a private hobby-horse into Europe without cabinet support has been firmly squashed. Mr Maudling's voice should carry a special message for waverers. The man who had the misfortune to be

responsible for both the luckless free trade area and the European Free Trade Association has spoken with convincing moderation of the economic advantages of joining the common market.

The Prime Minister's own pamphlet covers ground familiar enough to readers of *The Economist*. It is wrong to suggest there is a choice between Europe and the Commonwealth, he stresses. Rather, if Britain is to serve the Commonwealth as it should, it must have a place in the new centre of power, Europe. The idea that sovereignty will be "sacrificed" is also false, he suggests, in an age when not even the giant powers, Russia and America, are fully independent in defence and foreign policy.

The Prime Minister's tract is not an inspired, crusading document. But its solid style and argument should be persuasive within his party. Perhaps the most intriguing passages are at the end, when the Prime Minister permits himself a flash of idealism:

We want to see Britain . . . working towards the unity of the world which is the ultimate vision of mankind. The

European Community is a signpost to that future and we must play our part.

This follows a plea for speed in the Brussels negotiations. The Government has realised that uncertainty about the outcome of the negotiations has done as much damage in the country as the arguments of the anti-marketeters.

Waiting for France

DO the other Europeans share the British Government's wish for speed? There have been signs, since the Commonwealth conference and Mr Gaitskell's efforts at Brighton, that most of them do. Any doubts Mr Gaitskell may have sown about Britain's reliability as a future partner seem to be matched by a new awareness on the Continent of the Prime Minister's determination to get Britain into Europe, and by an enhanced sympathy with his difficulties. As Mr Heath learnt during his European milk round last month, five governments, at any rate, feel that from the community's point of view, as well as Britain's, the sooner uncertainties are resolved, the better.

But what of the sixth? The French have never shared their partners' anxiety for speed as far as getting the British in is concerned. M. Couve de Murville was in New York this week for the United Nations Assembly, and Mr Heath was not able to

see him in Brussels as he had hoped. The French representatives at the ministerial meeting in Brussels (described on page 131) argued that it would not be wise to arrange meetings of ministers this autumn in close succession. Officials, they suggested, would not have enough time to work out technical details in between.

The French constitutional crisis adds a new element of doubt. It is true that M. Pompidou's government has temporarily recovered from the bite; it was the National Assembly that died. Still, a period of uncertainty has opened and is not likely to end before December. It all means that concern for the French political future is likely, for a time, to take precedence of the British negotiation in French minds. For this reason few French observers now expect Mr Heath's hope of agreement by Christmas to be realised.

What of the further prospect, if the French Parliament asserts itself and a government of parliamentarians takes over? Such a government could hardly fail to be more interested in European integration than any chosen by General de Gaulle. It might, at the same time, be more tender towards French vested interests, and the difficulties for Britain of reaching agreement with it, though they would be different from those of negotiating with M. Couve de Murville, would not be negligible. Most probably such a government would want to get on with the negotiation with Britain. But this would not be all it wanted. A new French government based on a parliamentary coalition would almost inevitably be committed to an effort to get European political union moving, a matter the British Government has found it convenient so far to leave vague. The British might have to make up their minds more quickly than was comfortable; or they might get left behind again.

STRIKES AHEAD?

Railing at Fate

THE National Union of Railwaymen's post mortem on the one-day strike on October 3rd has cleared the air, even if it has not given the hoped-for prospect of peace. Mr Greene, the general secretary, has at last made it perfectly clear that the union's protest is not so much against the way in which the British Transport Commission is carrying out the process of cutting down on unprofitable bits of the railway system, as against the Government's whole transport policy. The rail strike, then, must be seen as a political act—and like all such political strikes in British history, its objectives, and still more its possible consequences, have clearly not been visualised by the strikers. The NUR's executive reflected this inconclusiveness by declaring its intention to call a further stoppage, but passing on the decision of when it would be and what form it would

take to a special sub-committee; thus leaving itself at once in a militant posture but with a large freedom of manoeuvre.

The other conclusion to be drawn from the NUR's behaviour is that Mr Marples was right to appeal to the union to have a further word with Dr Beeching (although wrong to imagine that this was the way to stop last week's strike). The union has greatly weakened its own case by appearing to be absolutely opposed to even such obviously necessary measures of rationalisation as the closure of carriage-works designed for the repair of obsolete wooden vehicles; but nevertheless it has some legitimate points to make in protection of its own members—not just to secure less stingy severance payments, but also to see about future employment prospects in that minority of areas where other industries are not eagerly awaiting the chance to snap up railway workers once they are freed (broadly speaking—and this ties up with altogether larger economic issues—things are all right in the south but not in the north). It is also in Dr Beeching's interest that the BTC should appear to have the interests of its staff at heart. If the NUR's subcommittee can manage to dither usefully over its tactical decision about the strike, the two sensible adversaries could yet find themselves making a concerted approach to the Government over a social problem that concerns them both.

The case of the craft unions with members in railway workshops is a tougher one. They have this week been urging rough tactics—a one-week strike—on the railwaymen, thus strengthening the hand of the wilder men with whom Mr Greene has to contend in his own union. It may be fortunate that the craft unions chose to put so much weight on piffing questions of procedure—their main cause for anger seemed to be that Dr Beeching had specified whom he wanted to meet, and not left the choice of his interlocutors to the unions—which might ensure that they do not get as much public sympathy as the railway staffs themselves have, and in some cases deserve.

Go for Broke

THE long-standing struggle by the London Transport Executive to persuade its bus drivers and conductors to change their ways is at a crucial, but still indecisive, stage. While the LTE complains that it cannot get men to operate its services, the men themselves seem determined to obstruct any attempt to save labour. On Monday a delegate conference of busmen refused to accept a package deal offered by London Transport: this included the introduction of larger buses, of one-man buses on some uneconomic suburban routes, and of a new kind of continental-type bus with more standing passengers on some short-trip routes, plus a speed-up on country routes with 40 mph speed limits instead of the old 30 mph limit. (The delegates were

also angry at the LTE's intention to suspend for the winter some under-used weekend services on which the men had been making regular extra overtime money.) In exchange, the busmen were offered a share of the extra profit. The men, however, claimed both that their share should be larger and that it should be given more in the form of time off (meaning, perhaps, extra overtime at higher rates of pay) than in cash. They refused to consider the "standee" buses. In the face of this opposition the LTE once again postponed the introduction of its new large buses on routes that were due to get them.

London Transport, in fact, is in the throes of one of its fairly regular barneys with the tight group of bus workers who have persistently made difficulties for everyone who has to deal with them—even, on occasion, for Mr Frank Cousins himself. It is wholly certain that the public would have no sympathy at all with them if they did try to strike or go slow in opposition to the LTE's reasonable measures of modernisation: and the unofficial strikes planned for some routes this weekend, in protest against the cutting of services for the winter on some busmen's "favourite" routes, should be negligible. It is hard, too, to be entirely convinced that the majority of drivers and conductors—many of them immigrants and women—are really the doctrinaire, militant bunch that they are painted by their delegates to conferences like last Monday's. This is an occasion when the employers should get, and stay, tough.

TURKEY

Mr İnönü's Respite

MR İNÖNÜ, it seems, has been given a respite from his mounting political troubles. In recent weeks the Turkish prime minister has again been faced with an ugly crisis over the question of an amnesty for some or all of those imprisoned after the Yassıada trials. It was this same question that precipitated the protracted government crisis early this summer, and when Mr İnönü formed his new coalition in June he undertook to introduce a partial amnesty by October 29th.

Since then the opposition Justice party has been ceaselessly and insidiously agitating for a complete amnesty; it has even tried to create the impression among the uneducated voters that an amnesty would somehow have a magical effect on the country's economic troubles. The army and the students, on the other hand, are hostile to any amnesty at all. On two occasions last week there were violent student demonstrations in Ankara, directed principally against the Justice party and its newspapers; the demonstrators appear to have enjoyed the tacit acquiescence of the army.

On Tuesday the government at last announced its amnesty terms; these would have the effect of releasing at once all those

with sentences up to six and a half years, and reducing all other sentences by four years. Unlikely to satisfy the opposition, the amnesty nevertheless provoked angry student demonstrations in Istanbul. In Ankara, however, the Justice party, suddenly and most surprisingly, turned right round and on Wednesday announced their fervent support for Mr İnönü. Presumably, at the secret session of parliament earlier this week, someone must have told them pretty forcibly where they got off. How long the lesson will stick is very doubtful; the Justice party's obsession with the past will not be easily overcome. But if there really is a lull on the political front in the feuding over the fate of Mr Menderes's supporters, one hopes that the government will seize the chance of pressing on with its economic and social reforms; at present the new five-year plan is jeopardised by a disagreement between the government and the planners over how to finance it.

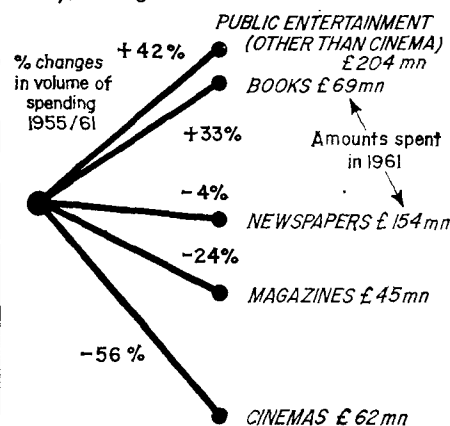
UNITED NATIONS

Warming Up

AFTER a quiet start, the United Nations Assembly reached a livelier stage this week with a personal appearance by Mr ben Bella, a committee vote on Southern Rhodesia, and a rowdy reaction in the public galleries to a two-hour anti-American diatribe by President Dorticos of Cuba. About twenty Cuban refugees had to be forcibly ejected from the Assembly hall on Monday before Dr Dorticos could go on with a speech which departed altogether

IN PURSUIT OF LEISURE

Since 1955 the combined amount spent on public entertainments and reading matter (when adjusted to remove the effect of price changes) has remained almost constant and as a proportion of total consumer spending it has fallen from 3.6 per cent to 3 per cent. Within these groups, however, there have been considerable changes. Cinemas, which in 1955 took nearly half the spending on public entertainment, in 1961 attracted only one-fifth. In reading matter, books have gained at the expense, particularly, of magazines.



Source: National Income Blue Book, 1962.

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from the usual conventions about visits to the UN by heads of state, and which, it was noted, drew diminishing applause from the delegates (except for the loyal Soviet block).

The admission of Algeria to UN membership on the same day evoked a series of welcoming speeches which were remarkable for the many expressions of admiration and goodwill for France that came from unexpected quarters. Of all people, Mr Shukairy of Saudi Arabia was heard by a startled Assembly raising his voice in praise of President de Gaulle. Meanwhile M. Couve de Murville had taken the opportunity to be the first French minister to engage in private talk with Mr ben Bella; and on Tuesday the Algerian prime minister made a forceful speech in which he pledged his country to fulfil the Evian agreements with France.

Against this background of lively and sometimes surprising events, there was something rather flatly predictable about the fourth committee's vote, 68 to two (Portugal and South Africa), for a resolution that called on Britain to act to secure the release of Mr Joshua Nkomo and the lifting of the ban on his Zapu party. The British delegation, sticking to the argument that London cannot interfere in Southern Rhodesia's politics, did not take part in this vote; and 25 other delegations found reasons for not being present in the committee room at the time.

Over the head of an Assembly which is still only warming up there now hang three question marks. One is Katanga. Another is the widely canvassed possibility of the arrival of Mr Khrushchev around the middle of November. The third is the question of the secretary-generalship, which is not formally before the Assembly as yet. If agreement can be reached to invite U Thant to accept a full term of office, this recommendation will come to the Assembly from the Security Council with the battle already fought and won. At the beginning of this session, however, Mr Gromyko, assisted by *Pravda*, wheeled out the "troika" again, for the first time this year. If the Russians cannot be induced to push it back into its shed, the UN may have to face a full-scale showdown on the whole question whether there is to be a secretary-general at all. U Thant's firm public adhesion to the Hammarskjöld doctrine of an expanding executive role for the UN has not fired the Russians with enthusiasm; but it has enlarged his stature in the eyes of the great majority of member countries.

CONGO

Britain to Move

MR TSHOMBE, of Katanga, is still waiting to see which way the lion jumps. The British Government is in a special, perhaps a key, position to influence the course of events in the Congo: if it says it will support action against Mr Tshombe,

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the threat of that support will probably be enough to keep him in line. But he will remain obdurate so long as he believes that economic sanctions against him would not work (because the British Government would not make them work) or that force would not be used (because the British Government would not allow it). The British attitude needs to be reconsidered now that the situation in Katanga seems to be hotting up once again.

The familiar signs are all there. Mr Tshombe is stalling, in an attempt to nullify his acceptance on September 3rd of the United Nations plan to reintegrate his province with the rest of the Congo. The acting secretary-general of the United Nations, U Thant, was to meet his Congo advisory committee on October 12th; on Tuesday, October 9th, United Nations troops encircled two buildings in Elisabethville, and Mr Robert Gardiner, UN chief of operations, reported evidence of increased Katangese air strength. Mr Tshombe's hired white soldiers, Mr Gardiner said, were still there in strength.

There is, therefore, some danger of renewed fighting between the United Nations troops and Mr Tshombe's; there is a worse danger that he will keep talking for so long that a bankrupt United Nations will have to withdraw from the Congo, leaving its work unfinished. Such a victory for Mr Tshombe would be a defeat for almost everyone else: the world would be back where it started when, in June, 1960, the United Nations went into the Congo, and all the dangers that the United Nations has succeeded in staving off would come crowding in again.

This can still be avoided if the British Government brings itself to help put Mr Tshombe in his place as provincial prime minister in a united Congo. (America's active concern for a settlement has been shown in the talks that the Under-Secretary of State, Mr McGhee, has held in Katanga and Leopoldville this month.) Two explanations for Britain's unwillingness are white Rhodesian pressure and anxiety about British financial interests in Katanga. But if there is an African nationalist victory at the polls in Northern Rhodesia (across the Katanga border) on October 30th, succumbing to white Rhodesian pressure will make even less sense than it does now.

NEGLECTED CHILDREN

New Powers for Prevention

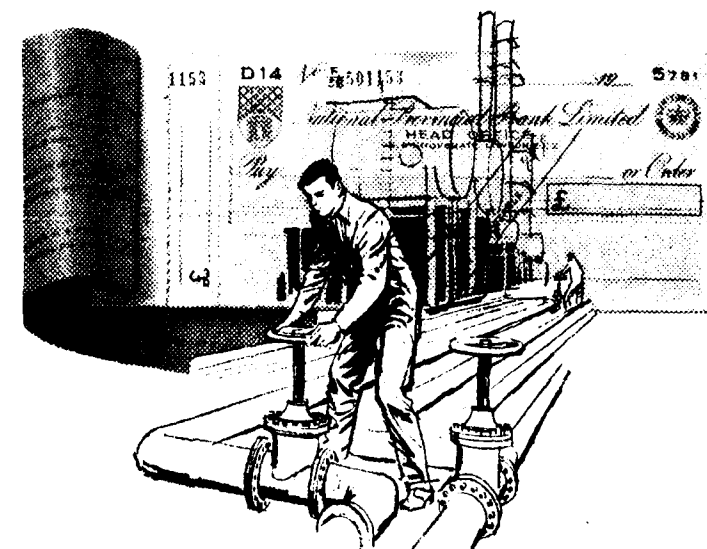
WHEN the Home Secretary first announced that a departmental committee on children and young persons was to be set up (in 1956), the original intention was apparently to confine its terms of reference to juvenile courts, approved schools, etc., and to the existing statutory provisions under which parents could be prosecuted for cruelty to children or for exposing them to moral and physical danger. These terms of reference were immediately recognised

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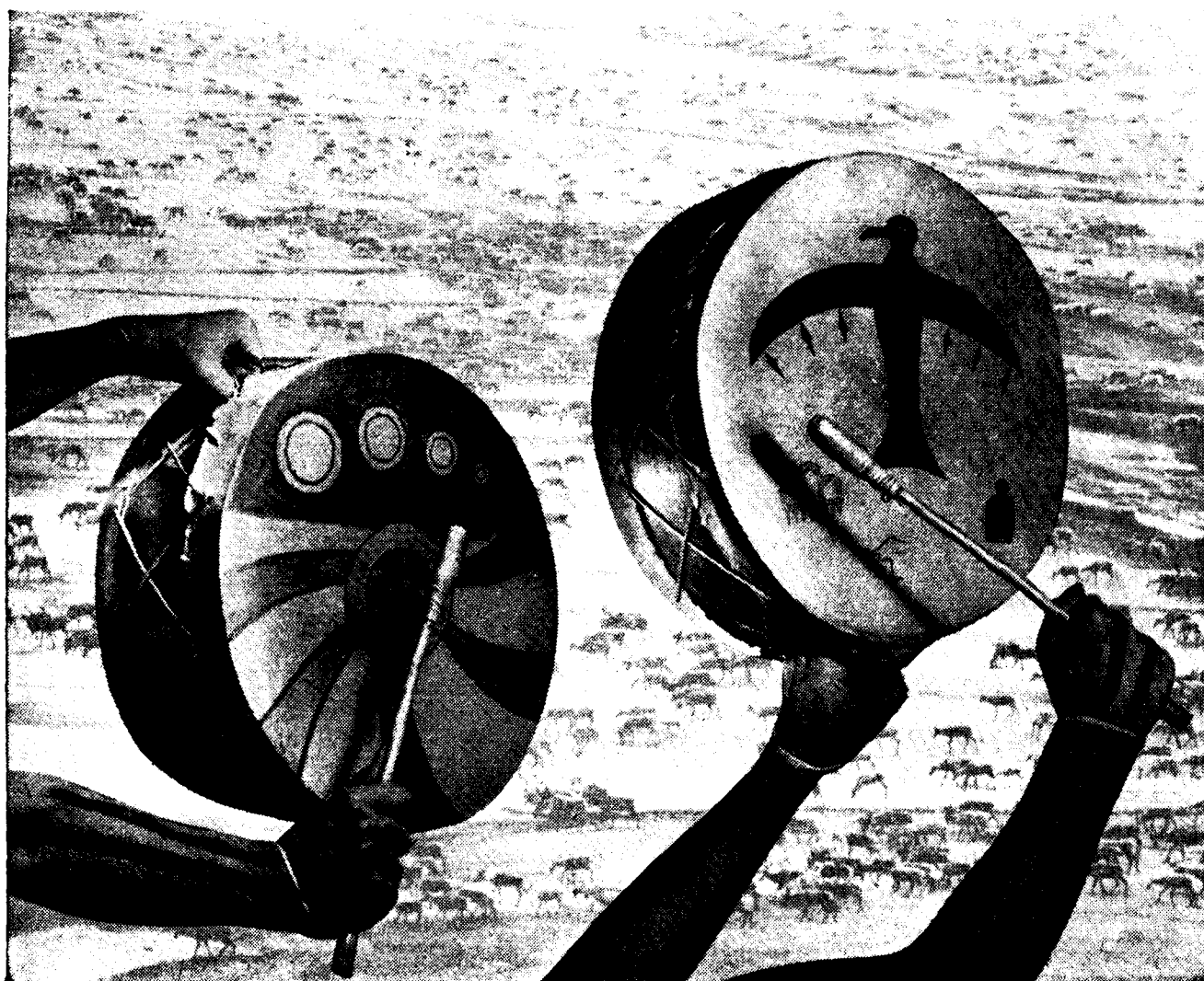


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Drums (*non-returnable*) along the Athabaska



Under the midnight sun of Canada's far North-West, a line of barges creeps into Yellowknife—a gold-mining settlement on the desolate shore of a great lake. Their load—cyanide in drums—is prosaic, perhaps; but it has completed an adventurous journey that started 10,000 miles away at an I.C.I. factory in England: by sea across the Atlantic and through the Panama Canal to Canada's Pacific coast; down-river by barge, overland again for many a rugged mile, down-river once more to the waters of the lake itself.

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and least of all for I.C.I. cyanide. Known for 50 years as the key for unlocking gold and silver from their ores, it is used almost everywhere these precious metals are mined—in the Australian deserts, in the rolling hills of Southern India, in the mountains of Colombia and the uplands of Fiji. And, like so many I.C.I. chemicals, it is no stranger to the world's engineering industries. Cyanide case-hardening salts from I.C.I., as well as degreasing solvents and metal pre-treatments, play a part in the production of everything from hypodermic needles to agricultural machinery.

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by people interested in child care as far too restricted. Was it not better, it was urged, to see if more could not be done to help families with problems, and "problem families," in order to prevent children from appearing before the courts at all, whether as delinquents or in need of care and protection?

In the end the terms of reference of the Ingleby Committee were widened to take in this aspect of the child and his family, and it is now reported that the Queen's Speech will contain a reference to legislation on the lines of the committee's recommendations on prevention. The committee pointed out that a multiplicity of official and voluntary agencies may be concerned with families in trouble, but that, so far as local authorities are concerned, their powers are derived from legislation like the National Health Service Act and the Education Acts, which are not primarily concerned with neglected children. Even under the Children Act of 1948 the statutory powers of local authorities as regards prevention are limited.

The result has been a lot of services concerned with the child, and a lot of people running about, once things have gone wrong, but nobody with a statutory obligation and powers to prevent them from going wrong; and, in spite of governmental exhortations to co-ordinate and confer, the Ingleby Committee decided that there was, nevertheless, a great deal of inter-service rivalry. It thus recommended that a general duty should be laid on local authorities to prevent or forestall the suffering of children through neglect in their own homes, that they should have powers to do preventive casework and to provide material needs that cannot be met elsewhere, and that no committee should be specified to carry out these powers. Further, there should be a statutory obligation to submit schemes for detecting families needing help; for investigating what sort of help is needed—the investigating centre should be in charge of an officer responsible to the clerk of the authority, not to a committee; for providing the appropriate help; and for making the services known to the public. In 1960-61 there was an average of 61,000 children in the care of local authorities because of some sort of family breakdown, at an average cost in local authority homes and hostels of nearly £9 a week. Many of these cases could have been prevented by timely assistance, and it will presumably be the purpose of the new bill to ensure that it can be given.

POSTWAR CREDITS

Strangely, No Outcry

IT is surprising that Mr Maudling's releases of postwar credits have not been more violently attacked from the left. The people who have accumulated the biggest credits necessarily tend to be those who paid most income tax, because they

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were earning most money, between 1941 and 1946. At first sight, it is not easy to say that these are the people who most obviously deserve to be given more purchasing power now.

When the credits were first introduced—in the great budget speech which Sir Kingsley Wood delivered (and Maynard Keynes wrote) in 1941—they arose out of Keynes's fear that the Treasury might still be too orthodox to unbalance the budget during any postwar slump; they therefore pumped these £765 million of permitted tax repayments into the fiscal system, with the idea that any slump-time releases from these "funds" below the line might prove to be administratively less controversial than unbalancing the budget. In the event, the device proved an unnecessary one. Still, once the Government had accepted the obligation of the postwar credits, they had to be honoured. The aim should have been to move towards a scheme which would marry these obligations to some socially useful object. The best compromise scheme seemed to be the one towards which the authorities were moving just before 1959; it envisaged releases to creditors when they reached retirement age (so that the credits became a sort of retirement bounty, for which there is some social case) and earlier releases in case of hardship (for example, to any creditor who became unemployed for more than 26 consecutive weeks).

The two further releases in 1959 and 1962, which now allow women to cash the credits at the age of 55 and men at the age of 60, have no such social justification behind them; the recipients now get them at a time when they are still earning, sometimes indeed at the height of their professional earning power, and often just after their family obligations have run down because their children are now earning too. These measures have been decided upon almost solely because they are a convenient "once-for-all" release of purchasing power; women between 55 and 58 and men between 60 and 63 will draw an extra £42 million this year, but thereafter releases from the credits will relapse to £18 million a year or so as before. Alternative measures could have been to make £42 million a year of tax reliefs now, but with a plain warning that the taxes might well have to be put back up again later; or even to give out £42 million as a once-for-all Christmas bounty in 1962 to, say, old age pensioners or those on national assistance. The objection to these latter suggestions is that, if ever the poor had been given a special Christmas bounty, there might have been immense political and moral pressure to repeat the bounty each year. Probably there would have been. But what a very unmoral story this has become. One dare not give a bounty to poorer people now, for fear of having to give another one to them later; so the new release of purchasing power goes instead in the form of an earlier-than-expected-hand-back to those who paid most taxes 20 years ago.

INDIA AND CHINA

Marching as to War?

THE clash of arms reported this week between Indians and Chinese at the eastern end of the border looks like a natural outcome of the latest verbal hostilities between Peking and Delhi. On October 3rd, a Chinese note proposed border talks in Peking ten days later, but observed that India's stipulation that Chinese troops should first be withdrawn from the area was "absolutely unacceptable". Three days later, India repeated its pre-condition and added, for clarity's sake, that until the Chinese withdrew across the McMahon Line—the rightful eastern border, in Indian eyes—there could be no question of discussions about the western section of the frontier in Ladakh.

The latest clash has a more ominous ring than previous ones. Each side has been complaining of a military build-up on the opposite side. According to reports from Tibet, which are evidently taken seriously in New Delhi, the Chinese have been building airfields capable of servicing jet aircraft within 60 miles of the newly disputed area. It is doubtful whether the Chinese have aircraft that compare in quality with the half-squadron of Russian Mig fighters, equipped with the Soviet version of the American "Sidewinder" homing missile, that India is now to receive. But these are not expected until next month.

The Indians seem, however, to have decided to put Chinese intentions to the test, especially in the McMahon Line region. This is probably the significance of the transfer of Lieutenant-General B. N. Kaul from his post of chief of staff to take over the Eastern Command, together with a new corps to be formed there. What nobody knows yet is whether the Indians will prove an irresistible force, or the Chinese an immovable object.

INDIA AND CEYLON

Floating Non-Voters

TROUBLE is brewing again over the million "stateless citizens" who make up ten per cent of Ceylon's population. They are Tamils of south Indian origin, but born in Ceylon, whither their fathers and forefathers migrated to work on the tea estates. They have remained a self-contained community in the tea-growing uplands, quite distinct from the other million Tamils who populate the north and east of the island and represent a much earlier wave of migration. Years of haggling between Ceylon and India have left the stateless million still stateless. Their relative job security and good living conditions on the tea plantations have aroused envy among the Sinhalese, and now Mrs Bandaranaike's government has started to insist that priority

must be given to Ceylon citizens when the plantations have vacancies for employment. Voteless and thus politically voiceless, the estate Tamils now foresee a steady worsening of their already shaky position.

Mr Nehru, who is due in Ceylon on October 13th for an outwardly non-political visit, may not be able to offer them much more than sympathy. India is certainly in no position to provide the whole community with an equivalent livelihood if it returned to Madras, and any pleas from Delhi to Colombo on behalf of the stateless Tamils have to be phrased cautiously, lest the hapless million should suffer at the hands of Sinhalese enraged by signs of interference from India. Some of the plantation Tamils are now being wooed by envoys from the Federal party, which represents the Ceylon Tamils of the north and east. The tea workers' more cautious leaders have warned their people against getting involved with the Federalists, who have their own bitter quarrel with the Bandaranaike government. Similar warnings have come from Madras. But it will ultimately depend on the Ceylon government itself whether the stateless community is driven into the ranks of its declared opponents. It cannot be simply relegated to a kind of political limbo.

REHABILITATION

Steps against Steps

SOME of the thought which is being given to proper housing for the disabled is apparent from an admirable exhibition currently running in London, sponsored jointly by the Central Council for the Care of Cripples and the Royal Society of Health. But even if homes can be adapted, the inaccessibility of large numbers of public buildings and public transport remains a problem. A lot of trouble is taken by the health and rehabilitation services to get a person back to working capacity, but often all this is frustrated because of sheer physical obstacles. Can anything, sensibly, be done about this? Professor Nugent of Illinois University told a London audience this week that the answer was most definitely yes; he showed pictures of conveniently designed doors, lavatories, desks, cafeterias, telephones and, above all, ramps—short, long, straight and zig-zagged—as a result of which over two hundred severely, permanently, physically disabled students took full part last year in university life at Illinois. Old buildings have been modified, new ones built; all provide facilities designed to deviate as little as possible from what is normally accepted so that they can be used by everybody. There is no segregation of the halt and the blind—and none of the amendments, it is claimed, involved significant extra cost.

On the basis of research carried out under Professor Nugent's direction, approval has been given in the United States to standard

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specifications for buildings and facilities with the disabled in mind, and already five states have made them compulsory for new buildings financed out of state funds. There are no such standards in Britain, which is still far behind the United States—and Scandinavia—in its outlook on this matter. According to Professor Nugent, about one out of every seven persons has a permanent physical disability. Many disablements, however, must be only a manifestation of old age and, to look at the problem with hard economic eyes, the elimination of architectural barriers could probably do no more than add a half or, at most, one per cent to the numbers employed. Nevertheless, this possible addition is not to be sneezed at: after all, the growth forecast for Britain's working population over the next ten years is no more than 4 per cent.

COMMUNIST WORLD

A Setback for Peking

IN their joint communiqué issued in Belgrade on October 4th at the end of Mr Brezhnev's visit, the Soviet and Yugoslav presidents gave a remarkable demonstration of turning the other cheek when they declared it to be "intolerable" that communist China should still have no seat at the United Nations. They can, however, hardly have expected any thanks from Peking. Forced by their economic difficulties to back-pedal on the domestic front, the Chinese seem determined to assert themselves and their views in the rest of the communist world. Moscow's cordiality towards that arch-revisionist, Marshal Tito—who is to visit Russia before the end of the year—is likely to make them even more assertive. Relations between Peking and Belgrade have reached a new low, after the particularly violent attack on Yugoslavia by Marshal Chen Yi, the Chinese foreign minister, at the National Day parade in Peking on October 1st.

To Peking, the Soviet-Yugoslav rapprochement must be an irritation. The Yugoslavs may have been disappointed that they did not get a more hearty slap on the back from their Soviet guest than a reaffirmation of the joint Soviet-Yugoslav declaration of June, 1955, in which Mr Khrushchev acknowledged the Yugoslav road to socialism; but, for the Chinese, this reaffirmation was a definite snub. Moreover, it may lead to a greater diffusion of Yugoslav revisionist ideas throughout eastern Europe; a high-level Yugoslav delegation, led by Mr Bakaric, is now in Poland, while the Bulgarians, who have been noticeably wobbly in their attitude to the Yugoslavs, have sent a delegation to Belgrade to discuss closer economic co-operation.

When others have fled, the Albanians remain staunchly on the Chinese side. Their latest gimmick was to launch last Sunday, after some understandable delay, an

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Albanian-Soviet friendship month. The chief speaker at the opening ceremony declared that the friendship of the two peoples would not be broken by the "unprecedented outbursts and anti-Marxist activities of N. Khrushchev and his followers." Even worse, he dragged in repeated, complimentary references to Stalin. Moscow has not deigned either to send a delegation, or take any notice of this curious celebration.

ACCIDENT PREVENTION

Value for Money

FOR the first time in its history, the Royal Society for the Prevention of Accidents has found itself with less money at the end of the year than it had at the beginning: its schemes of instruction and propaganda last financial year consumed all the £257,000 it secured by grant, subscription, the sale of posters and publications—and £23,000 from its reserves besides. (It spent another £119,000 in work for various central government agencies, but for this it was reimbursed directly.)

Has its work been effective? There is no doubt that matters have improved somewhat on the roads of Britain: road traffic has increased steadily at about 5 per cent a year, yet there was a fall of 3 per cent in the total of road casualties in the first seven months of this year from the already improved level of January to July, 1961; and there were 6 per cent fewer deaths. Several things have contributed to the improvement (notably a decrease in motor and pedal cycle traffic of about 16 per cent, and a consequent reduction of casualties among these classes of road user—13 per cent in total, and nearly 30 per cent in motor cycle deaths): RoSPA modestly hopes that its propaganda has been one of those things. Since a rough computation of the annual cost of road accidents to Britain produces the extraordinary answer that they probably cost £230 million a year in financial terms alone, everybody must share that hope—and hope, too, that the Ministry of Transport might try to test its validity by offering RoSPA more money in the motoring field (it now gives £10,000 a year).

Pious exhortation, however, is obviously not enough; perhaps RoSPA's best hope of success is in its practical training of the young, particularly the very young (25 per cent more children under five were killed in 1961 than in 1960). And with Government backing similar schemes to those designed for road training in schools might be developed for use in industry, for instance, where the accident rate among young people was 17 per cent up in 1961.

CORRECTION

The National Gallery was founded in 1824, not 1924, as misstated on page 30 of *The Economist* of October 6th.

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EXPORT FINANCE? This *man has £1,000,000,000 to offer

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THE WORLD OVERSEAS

Beginners in Parliament

FROM OUR CANADIAN CORRESPONDENT

MR DIEFENBAKER'S government has survived four votes of confidence in the first ten days of the 25th Parliament, and most observers now expect it to last at least until next spring. Its survival depends on the votes of 26 parliamentary novices from Quebec and four from Alberta bearing the label of Social Credit. Why the Social Crediters are supporting the government so doggedly no one quite understands—least of all the Social Crediters, if one may judge by the contradictory statements of their spokesmen. In the opening debate on the address on October 1st, in reply to the Speech from the Throne, Mr Pearson, as leader of the major opposition party (with 100 Liberal seats against the government's 114) had the right of moving the first major amendment. He deliberately adopted the traditional form, regretting that "your excellency's advisers no longer command the confidence of this house," without specifying particular grievances which might have alienated either the 30 Social Credit members or the 18 members of the New Democratic Party. It fell to Social Credit, as the second largest party, to move the first sub-amendment; and when the Social Credit leader, Mr Robert Thompson, announced its terms, the whole House dissolved into gales of laughter, led by Mr Diefenbaker himself. The Social Credit sub-amendment was bold enough to declare that the government lacked the confidence of the House because "it had failed to pursue economic and financial policies based on Social Credit principles." Having thus established a position which no other party could support, the Social Crediters registered their votes against the combined forces of the Conservative, Liberal and New Democratic parties, and then proceeded to support the government against an NDP sub-amendment which the Liberals supported, and against a Liberal amendment which the NDP supported.

As to why they did this, their spokesmen disagree. Their leader, Mr Thompson, acknowledged that their sub-amendment had been devised to make the Liberals support the government. Their number two man from Quebec, Dr Guy Marcoux, in the absence of M. Real Caouette, took the opposite view. He said the words "Social Credit" should have been taken out of the sub-amendment so that the Liberals could have supported it. It was all a mistake, he declared in the House, because the Social Credit members were still green.

In spite of these contradictions, or perhaps because of them, all the other parties now feel convinced that the Social Credit party will go on supporting the government simply because its wily leaders do not want an early election for which they have no funds. Mr Pearson, who carries increasing conviction in his expressed determination to beat the government as soon as possible, may yet trap the Social Credit vote with a motion involving their fundamental opposition to tight money. But the impression persists that they will wriggle out if they can.

Meanwhile, the sense of moral indignation, which has obviously been growing in Mr Pearson for several years past, has focused on Mr Diefenbaker's pre-election speeches up to and including his last telecast on June 14th, just four days before polling day and ten days before the announcement of emergency measures to save the fixed exchange rate of 92½ cents established on May 3rd. On June 14th Mr Diefenbaker assured Canadians that all was well

with their economy and that devaluation would bring them a host of additional blessings. He gave no hint that the exchange rate was insecure, although most of the financial community and some newspapers were already openly discussing the crisis ahead. Mr Pearson's charge that this represented a deliberate fraud on the Canadian people evidently stung both Mr Diefenbaker and Mr Fleming, who was finance minister until his replacement in mid-August by Mr George Nowlan. They say that the run on the dollar was still unforeseen as late as the crucial day of June 14th, when Mr Diefenbaker made his last rosy telecast, and that it started to develop only on Friday, June 15th, and to reach crisis proportions in the following week. In support of this thesis, Mr Diefenbaker revealed partial details of exchange fund operations in June which are normally under statutory secrecy. He chose the date of his telecast, a Thursday, as a dividing line and revealed that exchange losses from June 1st to June 14th were \$128 million. From June 15th until June 22nd (when emergency measures had already been promised) he said they came to \$270 million.

These partial figures have already led to a Liberal demand for the complete disclosure of exchange losses day by day. This is unlikely to be granted, nor is it really necessary to the debate. The argument is essentially between the sophisticated, who well knew what would happen as soon as the election was over, and the unsophisticated, who may be impressed by Mr Diefenbaker's claim that the loss of confidence resulted from Liberal predictions of doom and would have been erased by a clear Conservative victory on June 18th. Mr Pearson now seems unlikely to let go of this promising election issue, though this week he switched the Liberal attack to import surcharges and the doubtful legal basis ingeniously devised by officials to replace the more normal Order-in-Council powers which Mr Diefenbaker had repealed in a grand political gesture.

THE debate about the past is unquestionably lively and may be useful. But it does not help to expedite the "positive and constructive programme" which Mr Diefenbaker has promised and has left Mr George Nowlan to define. Present signs suggest that Mr Nowlan, with influential backing from Senator Wallace McCutcheon and the business-orientated trade minister, Mr George Hees, may have a new budget policy which deserves to be called constructive. But he is obviously in no hurry to produce it in the midst of these turbulent political arguments. He appears to be reserving his fire until both his friends and his enemies have tired of their sharpshooting and he may have some chance of putting in a shot where it can do most good.

For the next six months or so, Canada's credit rating should not depend primarily on parliamentary skirmishing. Far more important will be Mr Nowlan's failure or success in winning cabinet support for comprehensive fiscal and economic policies which may transcend the vote-getting proclivities of some of his most influential colleagues. Mr Nowlan, unlike his predecessor, is a man who can compromise without capitulating. He knows where he wants to go and, unlike Mr Fleming, is ingenious in finding ways around any obstacle. If the Diefenbaker government survives the winter, as now seems likely, Canada's foreign credit rating will largely depend on what Mr Nowlan can do with his colleagues.

Yemeni Outlook

FROM OUR SPECIAL CORRESPONDENT LATELY IN YEMEN

THE fighting on the borders of Yemen, now admitted by Brigadier Abdulla Sallal, the Yemeni prime minister, may or may not be important. According to refugee royalist sources, it is concentrated in the Marib area facing the British protectorate of Baihan and in the region vaguely called "the north." Marib is the ancient capital of the Sabaan rulers and the site of the famous



Meeting the press: Brig Sallal (right) and Dr Baidhani.

dam which fell into disrepair in the pre-Muslim era; Baihan is the domain of Sharif Husain, minister of the interior in the government of the South Arabian federation and a strong supporter of the royalist cause. Husain has said he has no doubt that Prince Hassan will succeed in asserting his rights, or possibly those of Imam Muhammad Badr in the event of the latter emerging from the predicament in which he now finds himself.

The frontier district between Yemen and Baihan is part mountainous, part desert, suitable only for operations by mobile, lightly armed tribesmen—and, of course, aircraft of which the Sanaa government has the monopoly. The northern frontier with Saudi Arabia is equally, if not more, difficult. No one should know this better than King Saud, who led the Saudi forces in this area when his father attacked Yemen in 1934. While his younger brother, Faisal, swept all before him in his drive along the coastal plain and seized Hodeida, Saud's offensive stalled in the mountains. The royalist cause, therefore, is likely to make little progress unless the Yemeni tribesmen in the area rise in force, while the absence of movement in the coastal plain suggests that King Saud has not yet decided on full-scale intervention.

The coastal plain of Tihama is, indeed, the only region in which a major offensive is feasible. It is inhabited by Sunni Muslims of the Shafei sect who are traditionally hostile to the Shia Zaidis of the highlands, co-religionists of the Imam. They welcomed the Saudi forces when they attacked the Zaidi Imam, but are unlikely to do so now that a revolutionary regime has replaced the imamate. Another factor that might deter King Saud from overt hostilities is the spectacular defection of two Saudi aircraft to the United Arab Republic while on a mission to deliver arms to the royalists in Yemen, and of a few Saudi officers stationed in Asir, the Saudi province on Yemen's northwest border.

All the Arab republics, except Iraq, have recognised the new government in Sanaa. According to both Abdulla Sallal and Abdul Rahman Baidhani, the deputy prime minister, minister of economy and senior civilian in the cabinet (he obtained a doctorate in economics at Bonn University on the side while serving five years as Yemeni minister to west Germany), General Qasim is waiting to see what attitude the Sanaa government will take on the Kuwait issue. Both the prime minister and his deputy are emphatic that

the Yemen is in no shape to take sides in inter-Arab disputes and is prepared to let matters take their course. Their standpoint, they say, is comparable to that of Algeria, which in its concentrated struggle for independence refused to dissipate its energies in Arab feuds.

The same caution is discernible in Sanaa's approach to the problem of Aden and the protectorates. Baidhani, while appreciating the eagerness of the Yemenis in Aden to rejoin their homeland, is firmly opposed for the time being to foreign adventure. He hopes that friendly negotiation with the British will be possible when the revolutionary government has established itself and obliterated all traces of the imamate. "Why fight when we can negotiate?" The more sophisticated Yemeni nationalists in Aden accept this situation, though their rank and file may not take an equally philosophical attitude.

In Sanaa's view, Jordan and Saudi Arabia are committed to a hostile attitude, but the leading figures in the Yemeni government believe that the kingdoms of Morocco and Libya will accord recognition after a decent interval to mark their disapproval in principle of regicide. They suspect that the opposition to the regime in the south is nourished from across the border. So far as the British colonial authorities are concerned, this suspicion is groundless, though the same cannot be said of the ultra-conservative rulers of some protectorates. Although they nominally take British advice in all matters affecting foreign policy, there is nothing to prevent them from slipping arms and men across the open frontier. For this reason alone, the revolutionary government is anxious to secure western, and specifically British, recognition. Failing that recognition, the Sanaa government must rely heavily on Cairo and, to a lesser extent, on communist support. Egyptian officers and men in smart fatigue dress have arrived in Sanaa; their number is obviously kept secret, but Saudi allegations that "thousands" are already in Yemen can be safely dismissed.

Brigadier Sallal insists that they are instructors and technicians only, but some carry heavy kit which suggests that their duties are more directly connected with the defence of the revolution. That is not all. The Sanaa government has asked Egypt for 52 experienced civil servants to help Yemen to create an administration—a modern invention virtually unknown in the imamate. It has also asked for, oddly enough, exactly the same number of Egyptian school-teachers and eight high school experts to study university problems in the Yemen.



After the revolution.

Whatever the situation in outlying areas may be, the two capitals of Sanaa and Taiz appear to support the revolution by an overwhelming majority. Within hours of the proclamation of the republic, a new flag appeared on buildings, vehicles and

Aden government is one of the few in the Middle East which permits the free display of President Nasser's smiling features, and people take full advantage of it). The flag was hastily improvised, like everything else in Yemen, and has now been replaced by an official one with horizontal bands of red, white and black and a green star. It is identical with the Egyptian and Syrian flags, except that Egypt has two stars and Syria three. Thus Yemen has chosen the emblem that is proudly symbolic of the country's alignment with modern trends of Arab nationalism. But Brigadier Sallal is well aware that he has far to go before aspiration becomes reality.

Back in the Market Place

FROM OUR CORRESPONDENT IN BRUSSELS

MR HEATH'S report on the Commonwealth conference was the chief feature of last Monday's meeting in Brussels when the common market negotiations were resumed with the ministers of the Six—more accurately, with some of them. The French foreign minister, M. Couve de Murville, was paying one of his rare visits to the UN General Assembly; Dr Luns, the Dutch foreign minister and present chairman of the negotiations, was in the same place. Without Dr Luns's forceful presence, the session got off to a quiet start, very unlike the excitements and alarums of the last meeting before the summer recess.

If the Six had wondered whether Mr Heath might now feel the presence of critics, such as Mr Gaitskill, peering over his shoulder, they must have had their answer within the first hour. Mr Heath, by all accounts, has never appeared more master of himself, of his brief or of his audience, seen or unseen, since his epoch-making initial speech in Paris just a year ago. Two points stood out; one was Mr Heath's desire not to shut the door of association, or of some alternative to association, on those African countries which *prima facie* have rejected it—Ghana, Nigeria and Tanganyika. The other was his request that the misgivings of India and Pakistan about the solution provisionally agreed in the summer should be sympathetically considered.

In July and August it was proposed that comprehensive trade agreements should be reached by 1967 between the enlarged European Economic Community and these Asian countries, and that from the date of its entry Britain should begin edging gently towards the common external tariff. India and Pakistan, said Mr Heath, were impressed by the offer of trade agreements but wanted negotiations for them to begin as soon as Britain joined. This should raise no great problems. The Six, however, may have more hesitation about the second Indian and Pakistani request, that Britain should make no move towards the Community tariff before the trade agreements are concluded. Mr Heath did not formally ask for a reopening of negotiations on this point, but merely for a declaration by the Community that tariffs should be suspended for a reasonable period while comprehensive agreements were being worked out.

Mr Heath stressed that the desire of the developing countries of the Commonwealth to benefit from an expansion of world trade was shared by Australia, New Zealand and Canada, which also feared that the common market might grow more self-sufficient with its own success. In his reply, the Dutch chairman made it clear that the Community aimed at an expansion of world trade. He also pointed out that the EEC tariff had been lowered and that Community trade with the outside world had increased. Among themselves, the Six feel confident that given a little time they can resolve the dilemma of liberalising their trade without losing the cohesiveness that is essential to their enterprise—a dilemma that Britain's application has forced them to face very early in their joint history.

The requests of the Asian countries, with the question of zero duties and the outstanding problems of British agriculture, will

Looking for Uganda

FROM OUR CORRESPONDENT
IN KAMPALA



Sensible Mr Obote

A NATIONAL balance-sheet for Uganda, which became independent on Tuesday, shows credits outweighing debits—but only just. After sixty-eight years of British rule, independence has been achieved painlessly: no Uganda leader is a prison graduate, though some have gone through exile, either abroad or in the remoter parts of the country. Lack of a convincing enemy has made it difficult for Uganda to achieve the necessary minimum of national unity. The grip of local loyalties is still strong; only five weeks before independence day yet another minor secession movement sprang up, when Bamba and Bakonjo tribesmen living on the slopes of the Ruwenzori Mountains in western Uganda demanded their own district, separate from the kingdom of Toro in which they are now included.

Uganda's constitution has already had to provide scope for the fiercely individualistic ambitions of four tribal kingdoms and twelve districts. The solution adopted is for Buganda and the other three kingdoms, plus the territory of Busoga, to have a federal relationship with the central government—"federal" being rather narrowly interpreted so that the powers devolved from the central government are not very extensive. The positions of the traditional rulers and their governments in the federal areas are guaranteed, but sufficient power remains with the central government, which controls the security forces and most revenue, to run the country.

Political stability has been achieved by means of an alliance between the Uganda People's Congress (originally an anti-Buganda party) and Kabaka Yekka (an almost all-inclusive Baganda movement). In April this year these two parties won Uganda's second general election and Mr A. M. Obote became prime minister at the head of a coalition government. The present party strengths in Parliament are: UPC, 44 and KY, 23; and the opposition Democratic party, 24. The coalition has held together remarkably well, and it is even possible that if a split should now develop inside the Kabaka Yekka—as it might, between nationalists and neo-traditionalists—Mr Obote could draw a good number of Baganda MPs into the UPC, and so preserve the association of Buganda with his government. The prime minister has also managed to stifle the "lost counties" dispute between the kingdoms of Buganda and Bunyoro, which six months ago appeared to threaten a Congo-situation in Uganda. Yet one wonders whether, in the excitement of winning these tactical victories, Mr Obote has had time to plan his long-term strategy.

Three diverse examples indicate the importance of unresolved problems. The explosive issue of Uganda's head of state has been shelved. The Queen is Queen of Uganda still and the last British

Governor, Sir Walter Coutts, has become Governor-General. This is presumably a temporary expedient, and rumour strongly suggests that Mr Obote contemplates the appointment of the Kabaka of Buganda as governor-general, or even head of state. This would please the Baganda, but it would have to be very skilfully put across to the rest of the country, and there would need to be a careful separation of the roles of Kabaka of Buganda and head of Uganda.

Another long-term problem is that of Uganda's attitude towards East African federation and towards the wider world. There have been signs in the last few weeks that progress towards federation may have begun—particularly since the joint stand against the European common market taken by the three East African representatives at the Commonwealth prime ministers' conference. But the practical problems of working out a federal arrangement remain very great, especially with Kenya in its present condition.

Thirdly, there is the domestic problem presented by Uganda's Asian population. There are 76,200 Indians, Pakistanis and Goans in Uganda, and many of them regard the country as their permanent home—unlike the 11,700 Europeans, who think of themselves as expatriates. The Asian community is not all that numerous, compared with 6½ million Africans, but it occupies a key position—its members predominate in commerce and are conspicuous in the professions, the middle ranks of government service and the skilled artisan class. Remembering the anti-Asian trade boycott in Buganda in 1959-60, and observing what treatment the Asians in Tanganyika have received, Uganda's Asians are afraid for their future. They have been partially reassured by a fairly liberal citizenship law, and by the government's recent adoption of the term "Ugandanisation" in place of "Africanisation." But Uganda's African politicians have not yet faced up to the prospect of integrating the Asians into an African country, nor have they decided just how much political power this economically important community can be allowed to enjoy.

MANY big economic problems lie ahead of independent Uganda. Economic expansion in recent years has been offset by unfavourable world prices for cotton and coffee, and by the insidious growth of population at a rate of 2.5 per cent a year. As a result, per capita income remains lower than £23. The World Bank Report on Uganda in 1961 emphasised the need to increase and diversify agricultural production; and a more recent survey suggests that Uganda has an industrial future too—if it concentrates on processing local raw materials and sells its goods in the big African market surrounding Lake Victoria, thus overcoming the disadvantage of being so far from the sea.

Development prospects depend, of course, upon elusive finance. Uganda has received from Britain a going-away present of loans and gifts totalling over £6.5 million in the period to mid-1964, together with substantial aid for paying civil service compensation, pensions and expatriate allowances up to 1966. But when this and all other sources of finance have been taken into account, there is still a gap of about £22 million to be bridged before the finance for the World Bank's £54 million development plan is found. Nor is the problem simply that of financing development—it is also that of galvanising the population into profitable economic activity. Too many peasant farmers are still content with a standard of living a little above subsistence level. It will obviously take time to change social patterns that inhibit economic progress. In this connection it is worth mentioning that though Uganda spends 27 per cent of its budget on education, only seven children in every 1,000 of secondary school age are actually at school.

Altogether, Uganda's economic targets look harder to attain even than continued political stability. Mr Obote is a notably sensible politician, but he will have an almost superhuman task if he is to achieve the welfare state that he has promised the people of Uganda, and he may not have counted its political cost.

Break-up in Kerala

FROM OUR CORRESPONDENT IN INDIA

THE resignation last Sunday of the two remaining Praja Socialist ministers from the Kerala cabinet marked the final collapse of the anti-communist front in India's south-western state. The coalition had limped along since the surprise resignation on September 25th of the Praja Socialist chief minister, Pattom Thanu Pillai. Now the Congress party is on its own, several members short of an absolute majority in the state assembly, though in little danger of defeat.

The chief minister's removal was a stunning, if not particularly creditable, piece of political fixing by Congress. The 77-year-old Praja Socialist had been chief minister of Kerala since the 1960 state elections, when the Communists were defeated by a joint front of Congress, Praja Socialists, and the Muslim League. The previous Communist government, elected in 1957, had been dismissed in the wake of a civil disobedience agitation, partly popular, partly stage-managed, in 1959. Presidential rule was imposed, and at the ensuing elections, the Communists won less than a quarter of the assembly seats.

The first break in the three-party coalition came last autumn, when the Muslim League was pushed out by Congress as being a communal party. That left some fifteen Praja Socialists allied with 62 Congressmen in an assembly totalling 127. By midsummer these two parties were already at loggerheads, notably over refusal of permission to open private, that is, church managed, primary schools. (The Praja Socialists are dominated by the Nair community of Hindus.) Mr Pattom's Congress colleagues hotly resented his autocratic ways, and understandably began to feel that the tail was wagging the dog.

The home minister, Mr Lal Bahadur Shastri, was sent from Delhi to unravel the Kerala tangle. Declaring that the coalition would stand, he set out to undermine it. The first price Mr Pattom asked for his own resignation was a place in the national cabinet. Reluctantly convinced that there was no place there for an elderly Praja Socialist, even under a new party label, he settled for the governorship of the Punjab. A central cabinet minister who had already been named for this post conveniently discovered an unwillingness to quit active politics. Without a by-your-leave to the Kerala Praja Socialists or the national leadership of his party, Mr Pattom was appointed.

The deal stunned and infuriated the Praja Socialists. Their leader, Mr Asoka Mehta, spoke of a breach of faith. Their national executive, meeting last Sunday, denounced the abuse of the presidential power of appointment and "facile disregard of healthy democratic practices". "Denuded of its consent and trust, the coalition in Kerala has ceased to be a reality," they said, and pulled their men out.

The new Congress ministry, strengthened by the hasty return of nine members who were being morally rearmaged at Caux in Switzerland when the crisis broke, can probably survive. Some independents and Praja Socialist members are expected to defect to it. The Praja Socialist party has promised "responsive co-operation," and did not support a Communist no-confidence motion on Wednesday.

But the deal raises two issues. First, just how far can Congress decently go in using presidential patronage to nobble its opponents? Second, and more important, what about communism in Kerala? The failure of the coalition marks also the failure of the attempt to defeat the Communists by groupings formed solely for that purpose. The Communists' strength in the assembly was slashed in the 1960 elections, but their share of the popular vote actually rose, to almost 40 per cent. The national parliamentary elections this year suggested a further increase of support in Kerala for

Communist or Communist-supported candidates. Assuming it can last its full term, the Congress government has only two and a half years to prove itself a better choice.

Between Brezhnev and the Six

FROM OUR SPECIAL CORRESPONDENT

AN uninformed tourist arriving last week in Belgrade might have been surprised to find himself greeted by red flags with the hammer and sickle all the way from the modern airport, past the tall buildings of the new city, right up to the centre of the old town. But the Russian flags were not in celebration of any startling realignment between Yugoslavia and the Soviet Union, but simply in honour of the Soviet president, Mr Brezhnev, who was returning the visit that Marshal Tito had made to the Soviet Union in 1955. This long-delayed return visit has in the end been paid at an interesting time, when Belgrade is perturbed by the prospect of the growing economic division of Europe. And on September 26th, two days after his arrival, the United States Congress amended the foreign trade bill in such a way as to deprive Yugoslavia (as well as Poland) of most favoured nation treatment. Indignant Yugoslav officials were quick to point out that the United States was thus unilaterally abrogating one of its oldest treaties (it had been signed with Serbia in 1881). Privately, they added that from Mr Brezhnev's point of view, Washington could not have invented a better send-off for his Yugoslav journey.

President Brezhnev went back to Russia on October 4th, and the red flags were taken down. The final communique spoke of the "major contribution" that had been made to Soviet-Yugoslav relations, but one suspects all the same that both sides may have been a little disappointed. Mr Brezhnev did not push the Yugoslavs into any closer alignment on international issues; the Yugoslavs did not extract any warmer blessing for their form of socialism. In short, the visit produced no startling change in Yugoslavia's position.

That position is less likely to be affected in a spectacular way by the speeches of important visitors than by the slower and more prosaic working of economic forces. With internal economic difficulties and three bad harvests in succession, with heavy foreign debts and an unfavourable balance of payments, with ambitious plans for the expansion of exports in order to wipe out trade deficits, the Yugoslavs are naturally perturbed by Europe's dual economic integration. They would like to solve their problem by increased trade with the uncommitted world, but realise that this is not a practical solution for quite a time to come. Last year nearly 46 per cent of Yugoslavia's exports went to Western Europe, and more than 30 per cent to the Soviet block. With the United States accounting for nearly 8 per cent, the share of the rest of the world was limited to a mere 16 per cent. In imports, the western share was even bigger (western Europe together with the United States accounted for more than 70 per cent of total shipments to Yugoslavia). No wonder that the question of how an uncommitted economy can survive in Europe between the common market and the Council for Mutual Economic Aid (Comecon) is hotly, if rather vaguely, debated in Belgrade.

The main preoccupation is with the common market. Just how big is it going to be? How quickly, and with what strictness, will the Rome Treaty be implemented? The Yugoslav equation depends on answers to these and similar questions. When outlining their foreign trade programme for 1965, the planners are anticipating losses and difficulties in west European markets not only for their foodstuffs (mainly meat and canned foods) but also for such industrial goods as furniture, textiles and the products of the electrical and metal processing industries. Their tactics will be changed according to the course of events. For the moment,

it is hoped to overcome some difficulties by bilateral deals with important trade partners like Italy. An approach to Brussels is also envisaged at some stage, not to seek membership or association, but to see whether some awkward provisions cannot be altered. The hopes are not too sanguine, since it is generally believed that an exclusive club involves privileges for members only.

Blunders in Brussels, or in Washington, may provide Mr Khrushchev with an opportunity. In Belgrade one hears two complaints about trade with Russia. One is that Yugoslavia is given only second-rate treatment, priority being reserved for Comecon members and hard-currency western countries. The second is that the Russians sometimes "tie" their exports, selling scarce commodities only if other items are included in the bargain. But the Yugoslavs do not seem worried by the prospect of increased economic difficulties with the Soviet block. In the past they have made unsuccessful soundings with the object of getting observers admitted to Comecon meetings. Now there is apparently a possibility that they may be allowed seats on some of the Comecon committees. This, if it proved true, would be specially significant just now when the Soviet block is speeding up its economic integration. Increased sales resistance in western Europe might thus eventually lead to a shift in the balance of Yugoslav trade.

But the situation should not be over-dramatised. The numerous little Fiat 600s—which are produced under Italian licence and are the dream of every Yugoslav with a little money saved up—are a reminder of the extent to which the Yugoslav economy is geared to the western markets and dependent on western supplies of equipment. Besides, it cannot seriously be argued that the country's current difficulties are the result of European integration. The succession of bad harvests has made the problem of food imports a more urgent matter than the problem of putting more life into the export trade. The deflationary measures and the export drive are apparently yielding results in industry. This year's exports are expected to be 17 per cent higher than in 1961. Though the biggest increase is in exports to under-developed countries, shipments to western Europe have been rising faster than to the Soviet block. It is only when they are contemplating the more distant future that the Yugoslav planners foresee, short of an accommodation with the common market, a substantial shift in their country's pattern of trade. And they need not be Marxists to assume that such an economic change might have political consequences. Yugoslavia reminds the newcomer now of Poland, now of Italy. A country can be both Slav and Mediterranean. But can it also stay uncommitted in an increasingly divided Europe? This is harder.

Clash Over Latin in Italy

FROM A CORRESPONDENT IN ITALY

OF any language, dead or alive, Latin is probably the most liable to be judged on its associations rather than its own exact qualities. One of its associations is certainly class—the power to set apart a man who knows it—and just how strong the feeling of class remains in Italy was shown during the final stages in the Senate last month of the conflict between the Christian Democrats and their Socialist allies on whether Latin should be taught in the new secondary schools. The inevitable compromise ended a clash of principles which was beginning to look embarrassingly like a political argument, conducted in one ancient and one modern language with neither side able to grasp what the other meant.

The controversy arose out of the government's bill to introduce the new type of state secondary school which children will be obliged to attend until they are fourteen. Since 1947 the Constitution has enshrined the principle of compulsory education up to



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United States Government Securities . . .	99,091,852
Municipal and Other Public Securities . .	25,165,799
Other Securities	1,785,775
Loans and Discounts	298,167,626
Banking Houses and Equipment	11,572,712
Customers' Liability for Acceptances . . .	22,071,688
Accrued Interest and Other Resources . .	3,422,261
	<u>\$598,667,187</u>

LIABILITIES

Capital (270,000 Shares—\$100 Par)	\$ 27,000,000
Surplus	20,000,000
Undivided Profits	12,186,911
Reserve for Contingencies	6,335,893
Dividend Payable October 1, 1962	810,000
Deposits	500,690,074
Acceptances	23,514,716
Reserve for Taxes, Interest, etc.	4,900,057
Other Liabilities	3,229,536
	<u>\$598,667,187</u>

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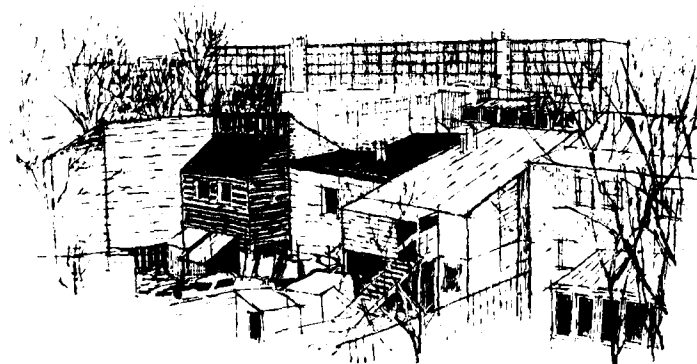
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AMERICAN SURVEY

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New Slums for Old?



WASHINGTON, DC

IN the elections to be held in November, it will be more than ever necessary for political candidates outside the South to take some sort of public stand on the question of racial segregation and to propose methods of combating it. The increasing importance of the Negro vote cannot be ignored. But because of what has happened in Mississippi, President Kennedy may put off until after the elections the fulfilment of the promise he made as a candidate in 1960. This was to issue an executive order that by a stroke of the pen would bring the end of racial discrimination in all federal housing programmes, including private housing which receives federal assistance. The President has been chided frequently for his delay in fulfilling this promise. But some nervous Democratic candidates are said to be begging for a further postponement, to give the South time to cool off.

Earlier this year the National Association of Home Builders warned the White House that an official ban on racial discrimination in housing which received federal aid would cut \$6 billion a year off the private funds going into construction. This attempt to play the fat boy and make the President's flesh creep might have been more effective but for his knowledge that thirteen states and thirty-four municipalities already prohibit racial discrimination in urban renewal projects and publicly-assisted housing developments. Nine of those states also prohibit it in private housing that is not assisted.

The extremely rapid growth of suburbs after the war was stimulated immensely by federal loans and guarantees but few if any of the fifteen million suburban homes built since 1945 are available for Negro occupation. The *Washington Post* recently accused the federal government of being the indispensable partner of residential segregation. Washington, DC, with its environs poses the dilemma in its most extreme form. The plight of Negroes in the area round the capital is underscored by the steps taken by the Department of State on behalf of African and Asian diplomats. Such diplomats find it difficult to obtain accommodation because of their colour; the State Department recently said that only nine out of over two hundred blocks of flats would accept them. One excuse given is that if coloured diplomats were accepted, American Negroes would seek to get a foot in the door. Some Africans and

Asians have been requested to "wear native costume," so as not to be mistaken for Americans.

About half of the two million people in subsidised public housing in the United States are Negroes. But neither Negroes nor other Americans look on public housing as the main solution of the country's housing problem. In the land of opportunity, there is marked reluctance to remain longer than is absolutely unavoidable in housing that is stamped as "low-income." The programme for the provision of subsidised public housing began twenty-five years ago. There are now about half a million subsidised dwelling units, mostly flats, and there are plans for another 160,000 such units. Meanwhile, however, fourteen or fifteen million Americans are still living in dilapidated "sub-standard" private housing. The hope is that in time they will be shifted to improved private housing.

There is a close and growing connection between urban renewal—which in practice often amounts to no more than slum clearance—and racial integration. Full-blown segregation exists only in the South, but Negroes in northern cities live for the most part in what are virtually ghettos. The massive migration of Negroes from South to North has swollen these ghettos and has also speeded up the flight of whites from the cities into the suburbs. This flight has several roots, but its most striking fruit has been the determined founding of new communities of homogeneous "all-right"—and all-white—residents.

Flight from old to new environments is nothing new in America. On the contrary, it has been the prevalent pattern. Americans are natural nomads. And what has frequently precipitated flight has been a strong desire to get away from new and unwelcome neighbours. The clearest case, perhaps, is Boston, where the Protestants fled from the Irish immigrants, the Irish from the Italians and the Italians from the Greeks and Poles. Hitherto, however, the middle-class vacuum caused by the departure of one group has been filled quickly by the latest arrivals simply becoming a new home-owning class themselves. But residential segregation is preventing the most recent newcomers to the cities from becoming the latest home-owning middle-class because they are Negroes.

URBAN renewal also confronts other problems. Land that has been cleared of slums, usually at vast expense, is sold to private developers who may build luxury flats and office buildings; these please city governments by yielding higher rates but they do not help the ejected slum-dwellers. Moreover, as a well-informed trio* has just pointed out, some local agencies obtain federal funds for one urban renewal project, then move on towards the same objective in a second, third and fourth project, meantime setting the first one aside because of lack of staff—or will—to carry it out. A third problem is the need for some control over the dispersal which has occurred and which continues to do so. The successive flights of the middle-class from Boston, for example, led to the creation of forty incorporated municipalities—with

* Thomas F. Johnson, James A. Morris, and Joseph G. Butts. *Renewing America's Cities*. The Institute of Social Science Research, Washington, DC. 130 pages. \$5.00.

different police and fire departments, boards of health, and school systems—all within fifteen miles of Boston City Hall.

American cities are spending altogether about \$30 million a year on plans for their rejuvenation, urged on by such organisations as ACTION (American Council to Improve Our Neighbourhoods) and IMPACT (Independent Movement to Promote Action). The ideal city of the future has been described as having a central core of modern offices, shops and theatres, encircled by roads for fast traffic and peripheral garages and served by public transport. There would be middle-income housing projects at walking distance and suburban homes farther away. All this would be controlled by a local government which ruled the whole metropolitan area, not just a part of it.

What at present prevents such a vision from being realised is not lack of money alone. The federal share of the costs of urban renewal runs in practice as high as 86 per cent. But the fast-growing (and usually Republican) suburbs are afraid of being brought back under the control of big city (and usually Democratic) political "machines." They fear that they will be forced to pay higher taxes and that their money will be spent on costly welfare schemes for "bums" in city slums, in effect buying votes for the city's politicians. Around Boston, Philadelphia and Chicago the suburbs were created at least in part by people fleeing from the weight of urban taxes. Dr Weaver, the Administrator of the Housing and Home Finance Agency and himself a Negro, has suggested that each city and its suburbs should pool their resources. But this idea of having one government for an entire metropolitan area, like the President's proposal for a federal Department of Urban Affairs, is resisted partly out of fear that Negroes and other ethnic minorities might then be enabled to leave their city ghettos for the all-white suburbs, some of which have also striven, less successfully, to be all-Aryan as well.

Meanwhile, there is the enormous problem of the people who are being displaced by urban renewal. It is estimated that during this decade 100,000 families will be forced out each year and that another 15,000 families a year will be driven from their homes by rivers of concrete flowing from road-building programmes. Supposedly, families displaced by urban renewal are found other homes. Of 113,000 families already thus "relocated," it is said that 80 per cent have been placed in "locally certified standard housing." However, as most cities are said either to lack a proper housing code or, if they have one, to fail to enforce it, this may mean little.

The Urban Renewal Administration has admitted the need for what it calls "more positive planning" of housing for displaced families. Not all of them are Negro. But many are and this is likely to continue to be the pattern. Therefore it seems to follow that new slums are bound to be created if, as the old

ones are demolished, uprooted Negroes are forced to move into other already overcrowded Negro areas. No doubt this is what the Commissioner of Urban Renewal, Mr William Slayton, had uppermost in his mind when he declared that, as the local agencies move deeper into the intricacies of urban renewal, they find themselves confronted increasingly with the most serious, the most difficult and the most ignored social question now facing the country.

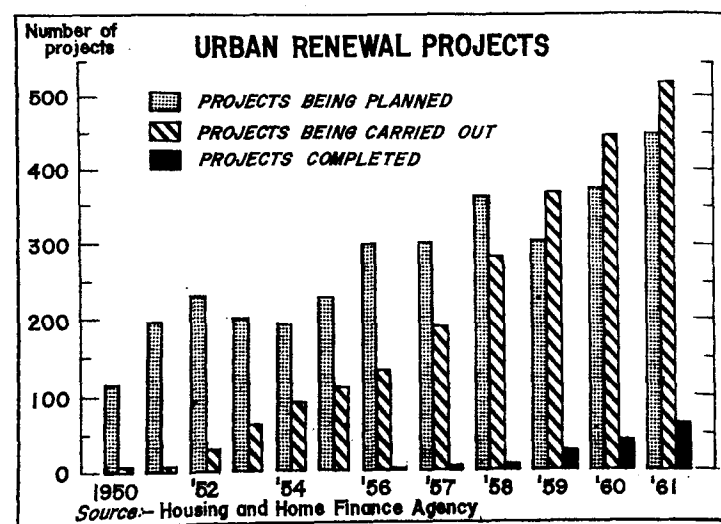
It is Dr Weaver's optimistic belief that before long Negroes will be accepted as a rising middle-class, as the Irish and other immigrants were. If urban renewal can help to achieve this, the other controversies which have become associated with the reclamation of American cities are likely to become minor ones. Urban renewal has demonstrated that slums can be removed; a major problem is to prevent them from being recreated. That problem is not likely to be solved so long as ethnic minorities are kept out of districts where others have gone in quest of better living. In some urban areas the suburbs have become white collars, choking the cities black in the face. An executive order forbidding racial discrimination in federally-assisted housing ought at least to ease this constriction.

Cold War on the Doorstep

PROBABLY it was always inevitable that the Republicans would make Cuba an issue in the present election campaign. After all, the abortive attack on that island a year and a half ago remains the only glaring failure of the Kennedy Administration. And candidates in congressional elections are not inhibited by the sense of executive responsibility which obliges presidential aspirants to observe some degree of bipartisanship when discussing foreign policy. But in fact it is the voters themselves who are forcing candidates to state their views on what should be done about Dr Castro—and tempting them to make those views bellicose. The recent stepping-up of the Russian support—some call it occupation—of this island with which the United States has been so closely connected for so long seems to have set off an emotional reaction among Americans. This is of the kind, although not of the intensity, which might be expected to follow an attack on the mainland itself. The frustrations and disillusionments of the cold war are being loosed against Dr Castro and in many places the candidate who tries to resist them looks as if he is courting defeat.

There will certainly be great pressure on President Kennedy during the next three weeks to come to the aid of his party with some extreme action against Cuba—the imposition of a blockade, for example. This pressure will be increased if the imminent exchange of anti-Castro prisoners for food and medicines comes off; even though officially this exchange is being arranged unofficially, it would strengthen the critics who argue that Mr Kennedy is ready to treat with Dr Castro. But he and his Secretary of State obviously hope to avoid anything drastic and to damp down the popular clamour; they may succeed, especially if they get co-operation from their allies.

The Latin American ones are being urged once again, and even more strongly, to tighten the hemisphere's security measures against Castroist subversion. The members of the North Atlantic Treaty Organisation are being asked to curtail their trade with Cuba and the request is to be backed with sanctions against ships which call at Cuban ports. The main purpose of these restrictions is to make it even more difficult and expensive than it is at present for the Russians to aid the Castro regime. Thus it is hoped to hasten the day when they will decide that it is no longer worth doing so.

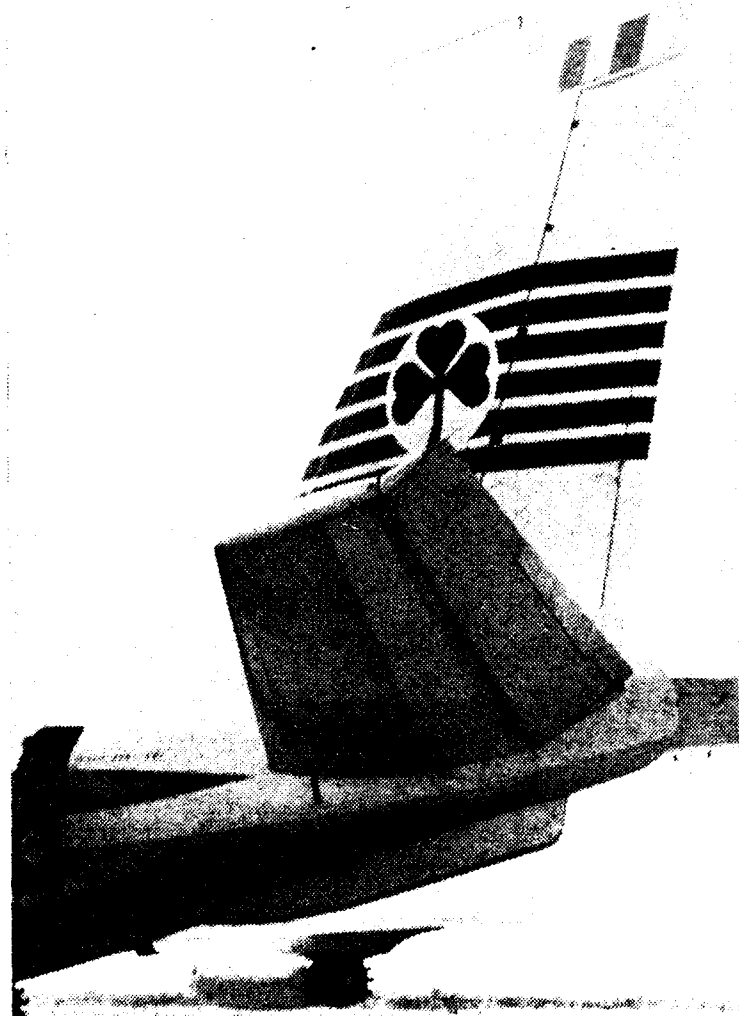


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President on the Stump

CONGRESS has not stayed in Washington so long in an election year since 1942, though what was holding up adjournment this week was not any matter of national concern but a peanut laboratory for Georgia, a dam somewhere else—in short the “pork barrel” out of which come the tidbits that members like to bring home to their constituents. Democratic members, moreover, had the consolation that the President was already hard at work on their behalf and that he means to spend every weekend until the election on the campaign trail. No other President has ever made so strenuous an effort to reach the voters in an off-year election (when he himself is not standing).



The obvious reason for Mr Kennedy's weekend forays is that he needs more Democrats in Congress—more progressive Kennedy Democrats—if his domestic programme is not to be hamstrung for two more years. Normally the party in power in Washington loses seats at the mid-term election and this is particularly true of the Democrats. They are in the majority throughout the country but they fall into apathy more easily than the more highly disciplined, better educated and richer Republicans. It was no mere coincidence that brought Mr Kennedy to Michigan for the last days of the Democrats' drive to get their members to register. To convince the voters that even in a non-presidential year a great deal is at stake the President has been attacking the Republicans as the party which says “no” to progress; as the party which is obstructing faster economic growth; and as the party which countenanced stagnation and do-nothingism for eight years. This has touched General Eisenhower to the quick, as it was, perhaps, meant to do; his attacks on the President's “callow youth” have provided the campaign with its first real drama.

The states where Mr Kennedy is campaigning show, however, that he has the presidential election of 1964 in mind as well as next month's congressional races. On his visiting list are the three where his possible rivals two years from now are standing for Governor: Mr Romney in Michigan, Mr Rockefeller in New York, Mr Nixon in California. But the President is also campaigning in most of the other big states where a Governorship is at stake, such as Pennsylvania, Ohio and Minnesota. Massachusetts is an exception but there there may already be a surfeit of Kennedys. Evidently the Administration fears that Mr Kennedy's re-election in 1964 may be imperilled if the Republicans seize control this year of the machinery and patronage in the populous states where presidential elections are often decided.

Mississippi's Price

IN Mississippi this has been a week of waiting; on Friday, after *The Economist* has gone to press, the federal court of appeals at New Orleans is to decide whether Governor Barnett has purged

his contempt of the court's orders. In Washington, meanwhile, minds are turning to the price which the Democrats may have to pay for enforcing respect for the Constitution in the most “southern” state of the once solidly Democratic South. The Republicans, who were already mounting their most ambitious drive below the Mason-Dixon line, hope that southern resentment will find expression at the polls next month.

There are no Republicans standing in Mississippi but in the ten other states of the Confederacy, plus Kentucky, there are two-party races for 62 of the 113 congressional seats, compared with only 35 in the last non-presidential year, 1958, and 53 in 1960. Republicans are also contesting, though more feebly, all of the seven Senate seats at stake and three of the six Governorships. Behind this impressive effort stand revitalised Republican organisations run by aggressive young businessmen interested in winning votes; the traditional southern Republican cared only for the patronage he could obtain when a Republican President was elected by the votes of the North and West. (In North Carolina one of these new men was so successful that his picture was published in *Time* magazine—to his undoing, for it led to the revelation that he had a second family in Virginia.)

Most of this new breed of southern Republicans are even more conservative than the Democrats they seek to replace and, except in Georgia, most of them are fiery segregationists ready, in spite of their party's traditions and the present winds of change, to exploit the bitterness left by events in Mississippi. In South Carolina, one of the two states where the colour bar is still unbroken, Mr William Workman, who is given an outside chance to defeat Senator Olin Johnston, is as much of a segregationist as the incumbent and much more right-wing. South Carolina may also send a Republican to the House of Representatives, the first in this century, but the party's main hopes of adding to its nine southern Congressmen lie in Florida and Texas.

No one imagines, however, that even with federal troops occupying Oxford, Mississippi, the Republicans will make more than marginal gains in the South this year. And on the other side of the equation, the President's stand will pick up votes for his party in the North and West—chiefly among the 8 million Negroes who live in the electorally important big cities there and, unlike the 10 million in the South, vote in large numbers. Most of them, however, vote Democratic already. But will such support be enough two years hence if the South gives its presidential vote either to a Republican or to some regional candidate? Mr Kennedy could not have won in 1960 without the help of the South.

Incentives for Civil Servants

PRESIDENT KENNEDY's legislative programme scored more last-minute pluses last week when Congress pushed through two measures designed to strengthen the attractiveness and efficiency of government service. One Bill brought to success a movement begun in 1960 to replace with a single consistent set of rules America's makeshift and antiquated conflict-of-interest laws. Loopholes opened by the changing role of government over recent decades have been closed. Prohibitions against former civil servants representing private interests in “claims” against the government have been broadened to include any matter of public interest—such as applications for licences, approval of sites for hydro-electric projects and the like. At the same time, the new Bill very sensibly relaxes these restrictions in cases where the employee, while in service, has had no direct concern with the matter. The Bill goes even further in removing what President Kennedy termed the “wholly unnecessary obstacles” to the recruitment of part-time advisers and experts, allowing these men the greatest possible latitude to carry on their private businesses.

Another of Mr Kennedy's long-standing programmes implemented by Congress last week—if in a characteristically watered-down form—was a major reform of the government's pay policies. The so-called Johnston Bill provides substantial increases for 1.6 million federal employees and more generous pensions for retired civil servants. It embodies two fundamental principles: that government salaries should be competitive with those paid in private enterprise and that the various federal pay schedules should be inter-related, with differences in pay reflecting differences in responsibility and performance. Unfortunately, the specific provisions of the Bill tend to dilute these principles. True, it abolishes pay increases based solely on length of service and permits greater flexibility in awarding achievement and in bidding for scarce skills. However, Congress proved less than sympathetic to the President's aim of upgrading high-level executives, whose salaries have suffered from the greatest lag, although it invited him to repeat this request next year, when increases for civil servants, Cabinet officers and "those under other federal schedules" (i.e., members of Congress) could be considered all "at one time."

The pay reform got through even though tied to the controversial scheme for raising postal rates in order to combat the Post Office's

chronic deficit—a priority item on Mr Kennedy's list of must legislation for this Congress. Despite some toning down of the Administration's proposals, higher postal charges, mainly for letters, are expected eventually to bring in \$603 million a year, only slightly less than requested.

State of the Betting

FROM A CORRESPONDENT RECENTLY IN BOISE

IDAHO will probably not become a gambler's paradise but punters with luck or judgment should be able to clean up on the results of the various political races now being run. So much seems clear about the current election campaign in this state but all else is obscure. One of the most important reasons for this is that four of the ten major candidates are still detained in Washington by congressional duties so that the campaign has not jelled yet. The candidates on the spot are unable to feel out and attack their opponents' weak points and the two Senators and two Representatives are unable to counter-attack effectively. But one factor above all explains the uncertain shape of the struggle in Idaho: the emergence as the dominant issue of a proposal to make gambling legal as it is next door in Nevada and thus to give Idaho a share in the prosperity generated by this activity.

The churches are strong (especially that of the Mormons, to which more than a third of the people belong) and they have launched an all-out attack on the proposal and on its author, Mr Verdon Smith, the Democratic candidate for Governor. As a result the able Republican incumbent, Governor Smylie, is heavily favoured to win a third four-year term and all other local issues and campaigns are eclipsed. National issues are nowhere, as both parties discovered when testing reactions on such things as Cuba and medical care for the aged. It is not felt that the promised intervention of such luminaries as General Eisenhower and Vice President Johnson will change this. Idahoans go their own way. This is not to say that such visits are necessarily without effect. Mr Truman paid a visit to Idaho Falls in September during which, while declaring that he wanted to help all Democrats, he nearly scuppered Mr Smith.

Legalised gambling is the worst thing in the world. . . . If you want to be like Nevada that's your business. Nevada is the one black spot on the United States government, so go ahead and do what you damn well please.

The Republicans have since tried to oblige by linking Senator Church, a Democrat running for re-election, and Representative Harding, who is in the same position, with the party platform that includes the gambling proposal. How much success they will have is not known. Senator Church carried 42 of the 44 counties in 1956; he is young and handsome, "with a corn cob full of teeth when he smiles," and he has a good record as a hardworking Senator. But his record is also a conspicuously liberal one: he fathered the Wilderness Bill, which would have carved three million acres out of Idaho to make a national park, and supported the Trade Expansion Bill, which may damage Idaho's already semi-depressed lumber and mining industries (they suffer from Canadian competition).

The Republicans are doing the best they can to rouse the public against him for this and for his support of a proposal to extend the operations of the federal Bonneville Power Administration into southern Idaho. They do not have the same openings with the Democratic candidate for the other Senate seat, Representative Pfof, although she also advocates electricity undertakings handled by the government. It was she who, as chairman of the House Subcommittee on Public Lands, emasculated the Wilderness Bill and she has always fought for the interests of Idaho. To beat her the Republicans rely on their traditional strength in the popu-

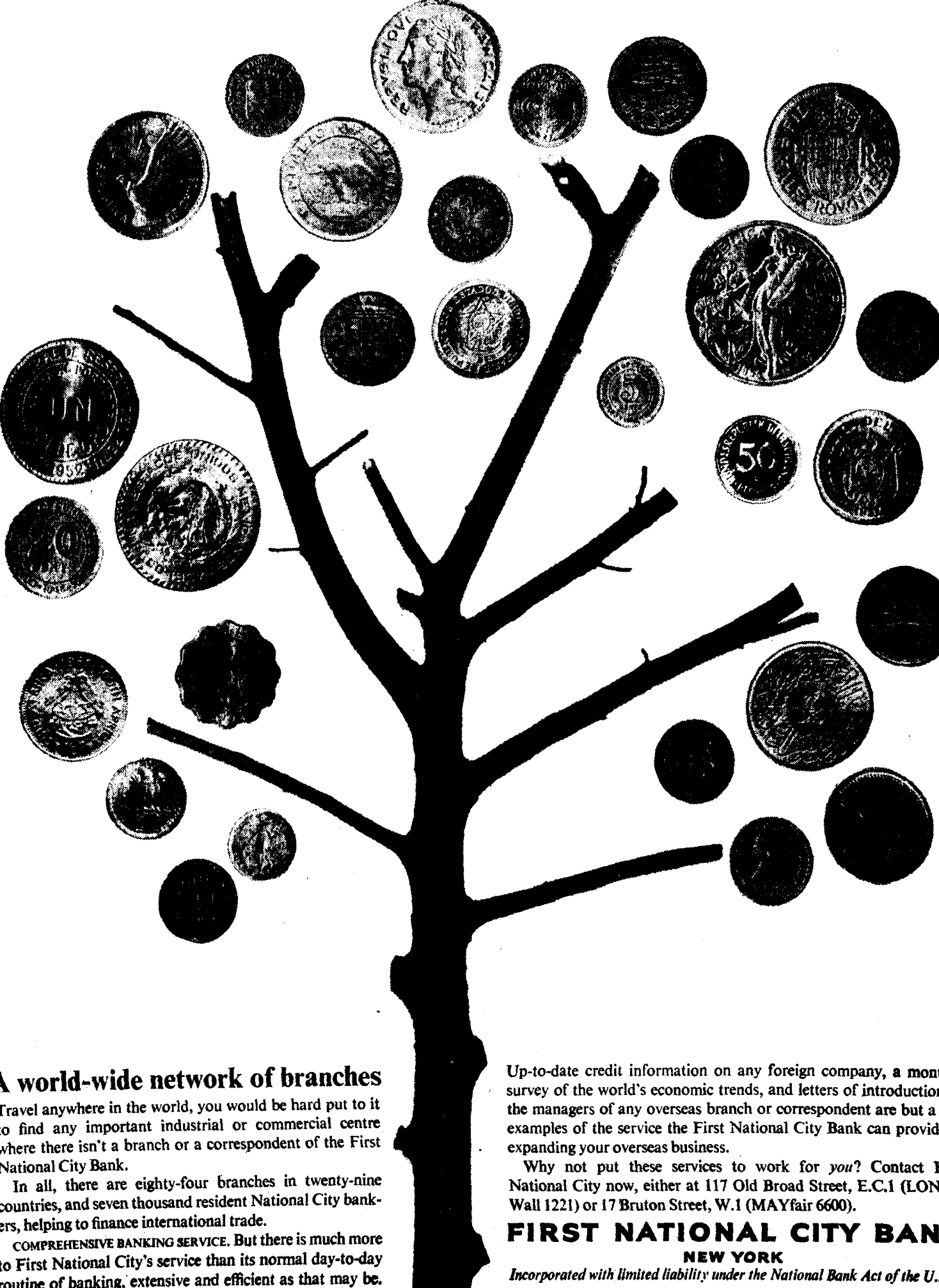
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New Instrument

THE Trade Expansion Act of 1962 is certainly a great success for President Kennedy and for Congress but it is only a beginning. It does not itself reduce tariffs; it merely gives the President power to negotiate with other countries for such reductions, to be introduced in five equal annual instalments, in exchange for reciprocal concessions. Under the most-favoured-nation treatment all non-communist countries will share in these concessions but Yugoslavia and Poland will no longer be regarded as non-communist for this purpose. The Act's authority for lowering duties will not necessarily be used to the full and the President has power to raise tariffs in retaliation against any country which puts "unreasonable" or "unjustifiable" restrictions on imports from the United States. Certain classes of goods are reserved from negotiation—those which have already been given special protection or which are the subject of an international marketing agreement, cotton textiles, for example.

Nevertheless the legislation gives a welcome stability to American tariff policy. It does not have to be renewed for five years. Negotiations can now cover broad categories of goods instead of having to deal with individual items separately. When a domestic industry suffers as a result of increased imports under the Act, it should not now be necessary to restore the tariff since an alternative method of dealing with this situation is provided: adjustment assistance taking the form of advisory services, loans and tax relief for firms which have been injured and of special unemployment, retraining and removal allowances for workers in such firms.

The Act also broadens greatly the President's power to reduce tariffs. Any duty may be cut by 50 per cent from present levels and those that are now at a rate of less than 5 per cent may be eliminated altogether. So may duties on articles in which 80 per cent of world trade is accounted for jointly by the United States and the European Economic Community; this clause only becomes important if Britain joins the common market. Tariffs on various agricultural commodities may also be reduced or eliminated under certain conditions. Before bargaining begins the Tariff Commission must hold hearings and advise the President on the economic effects of any proposed reductions. This replaces the old "peril point" procedure which set a limit below which duties could not be cut. For this and other reasons it will be about a year before the United States opens formal negotiations with other countries under the new Act.



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Regions at War

To the numerous chores which members of Congress have traditionally performed for their constituents, the cold war has added a new one: seeing that their states get a fair share of the \$50 billion a year which the United States spends on defence. Last summer the worst suspicions of the Middle West were confirmed when the Department of Defence issued a survey on "The Changing Pattern of Defence Procurement." This showed that in the ten years since the Korean War the middle-western states have lost their predominance in defence business, which now goes primarily to the states on the eastern and western coasts. But the spokesmen for California and the other states which are doing well out of such contracts insist, as might be expected, that their good fortune is due, not to favouritism or politics, but to sheer merit.

Not subject to debate is the fact, illustrated by the accompanying charts, that in the decade since Korea, Michigan, Indiana, Ohio and other states of the Middle West have ceased to be the main arsenal of America and that this title has passed to California, with other nearby states profiting as well. The shift reflects a radical change in technology dictated by the new importance of missiles and space developments and the trend is continuing, although in the current fiscal year its impact is being mitigated by increased buying of equipment for the Army.

At the time of the Korean War military purchases were weighted heavily in favour of tanks, lorries and conventional weapons and the tools to fabricate them—all things which mass production factories in the Middle West could turn out easily. Now that the first line of defence has shifted to the upper atmosphere, the emphasis is on the products of the aircraft industry and its aerospace derivatives, including those of the all-important and continually expanding electronics business. The heart of this sophisticated industry is in California and New England is also a major centre. The expanding part played by the mountain states is due to such developments as the concentration of testing and tracking facilities for missiles and rockets in their desert areas.

The figures showing the geographical distribution of prime contracts do not include the huge volume of supporting subcontracts for assemblies, systems and components, of which the Defence Department does not and cannot attempt to keep track. Undoubtedly, a great many subcontractors are in the

Middle West, both because of the area's skills and resources and because of the national policy of dispersing defence work as widely as is possible provided this is consistent with efficiency and economy. Moreover, the region may do better in the future if more pressure is put on to the Department of Defence to give priority, as it is supposed to do when allocating contracts, to areas with a chronic surplus of labour.

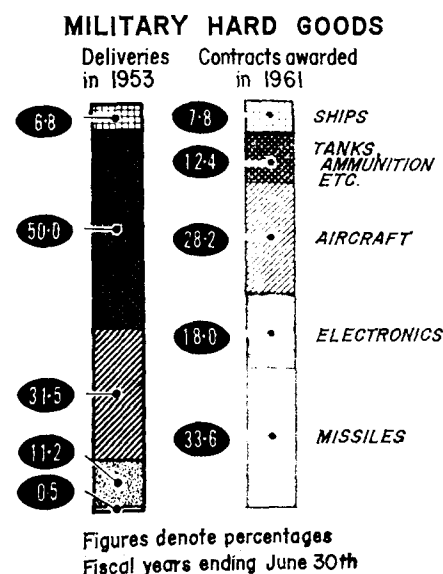
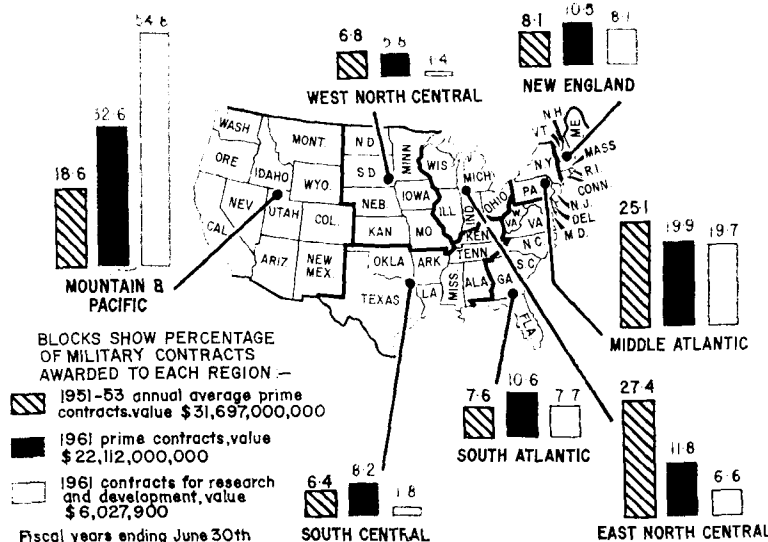
The real bone of contention seems to be the RDT and E (Research, Developmental, Testing and Evaluation) contracts, which are concentrated in the two coastal regions to an even greater extent than prime production contracts. California and the eastern seaboard states from Massachusetts to Maryland have about 75 per cent of the research and development contracts between them, while 38 of the 50 states share a mere 10 per cent. The two coasts have also been awarded the bulk of all basic research for defence, which is done primarily by universities and non-profit organisations. In the past, the importance of these trends has gone far beyond the actual sums involved since a company which has assembled, or had access to, the experience and talent needed to carry out research and development work on a new system of weapons has been admirably placed to compete for the follow-on production contracts and for new developmental contracts. A recent ruling by the Defence Department tries to prohibit this sequence, to avoid conflicts of interest, but regions already endowed with facilities, talent and experience have an inescapable advantage.

Senator Lausche of Ohio has charged Mr McNamara, the Secretary of Defence, with maligning the Middle West by saying that the coastal regions were getting the lion's share of all research and developmental work because the brains were there. If this is true—and the Middle West does not admit it—Senator Lausche and other spokesmen for the area think that the explanation is that California has "pirated" the scientists trained at middle-western universities. But the Defence Department is quite uncompromising. The survey which stirred up the hornet's nest declared it to be "self-evident" that certain institutions, communities and

companies had been the most alert, active and effective in their quest for research contracts and that, unless the others changed their ways, they would go on being left out.

Unquestionably the record of the fortunate states owes much to the existence and enterprise of their research institutions and the industrial complexes that have grown up around them. Massachusetts, with its famed Institute of Technology, Harvard University and the research and industrial facilities along Route 128, which encircles Boston, received not far short of 30 per cent of the total of \$431 million awarded to all universities and other non-profit institutions for research and development work during fiscal 1961, considerably more than any other state. Ranking second and third respectively were California, which besides an outstanding Institute of Technology possesses Stanford University, the Rand Corporation and the Aerospace Corporation, and Maryland, the home of Johns Hopkins University. The process seems to be cumulative; brain-power attracts more brains. Moreover, in California, at any rate, the climate and living conditions are an added attraction.

What can the middle-western states do? Political pressure might accomplish something—the influence of Vice President Johnson is credited with having brought the new Space Centre to Houston, Texas—but this is a game which all can play and California's political power is formidable and growing. Since the Defence Department is not likely to depart from its policy of placing research and development contracts where it knows there are the brains to tackle them, the best hope for the "have not" states would seem to be to bestir themselves to publicise their undoubtedly impressive and possibly neglected capabilities; to improve their universities and research facilities; and to go more aggressively after the business. It might be better, too, if they worked together, as Missouri's Commerce and Industrial Development Commission has proposed, instead of competing against each other. All this was presumably pointed out when Defence Department officials met mid-western leaders this week to discuss their complaints, one of a series of such briefings.



Continued from page 142

lous Second Congressional District (Mrs Pfof is conceded to be invincible in the First, northern, district, which she has represented for ten years) and on the fact that their candidate, Senator Jordan, was Governor from 1950 to 1954. He is thus known all over the state and has had time to outlive any enmities he incurred while in office. He also has the advantage, for what it is worth, of having been appointed by Governor Smylie to fill the seat of Senator Dworshak, whose death in July explains the occurrence of two simultaneous Senate elections.

Old Ties to Silver

ALTHOUGH speculative activity in silver has been intense, there is no doubt that the metal has lost its old political glitter. Congress is adjourning without giving any consideration whatsoever to the Administration's requests for changes in the laws affecting silver. The fact is that the metal is no longer an issue, politically or economically, even though its price has soared since President Kennedy directed the Treasury, late last year, to suspend its sales of "free" silver—the stock not needed for the coinage or as backing for currency. In less than a year and at a time when the price of most other commodities was falling, silver rose from below 93 cents an ounce to over \$1.21. Recently, the price has dropped, partly because of speculative profit-taking, partly because of fears that the Treasury would re-enter the market and sell silver in order to maintain orderly conditions. The Treasury will remain an important factor in the market until its special relationship with silver is finally severed once and for all by Congress. This may happen next year but it is far from certain.

Last November, when the President suspended sales of silver because the heavy demand, largely for growing industrial uses, threatened to deplete the Treasury's stocks, he requested Congress to repeal the silver purchase laws; these require the Treasury to buy all newly mined domestic silver offered to it at a price of 90.5 cents an ounce. He also requested power to withdraw from circulation all Treasury \$1 silver certificates and to replace them with Federal Reserve notes, something he had already ordered to be done for all \$5 and \$10 silver certificates. These moves would end the official floor under the price of the metal, something which has usually been opposed by the silver mining interests in the western states. But their traditional noisy opposition was not forthcoming because silver is fetching such a high price in the market. The real complaints about the price of silver are beginning to come from industrial users in the East, who feel that they are being victimised. The Treasury has said nothing but it is anxious for early action.

If the Administration gets its way the Treasury would continue to issue coin and would buy the necessary amounts of silver at the prevailing market price, but the Federal Reserve System would be responsible for issuing all paper money. This would simplify a somewhat confusing monetary arrangement in which two agencies, the Treasury and the central bank, are jointly responsible for issuing paper money. In addition, the change would save money by making available for coinage the bullion which must now be held as backing for silver certificates.

Substituting Federal Reserve notes for silver would have an adverse effect on the country's "free" gold supply. Federal Reserve notes must be backed by a 25 per cent reserve of gold certificates. The substitution would thus require a substantial increase in gold certificates to back the existing supply of currency. But there has been no suggestion that worries about further drains on the declining stock of gold had any part in persuading Congress to hold its hand. On the contrary, while it is recognised that silver has had its day, there is a certain reluctance to celebrate the last rites, particularly when the matter does not seem urgent.

The present silver laws reflect the economic concepts of a bygone era. They go all the way back to the period after the Civil War, when deflation-plagued debtors linked arms with the hard-hit silver miners in an attempt to force Congress to re-institute free and unlimited coinage of silver. Nevertheless, prices of commodities continued to fall until nearly the end of the century: farmers had to pay off mortgages which had been incurred when maize was selling for \$2 a bushel with receipts from maize selling at 77 cents a bushel. The hardships created were abominable and a cry went up for reflation—for raising commodity prices—by increasing the supply of money relative to the supply of goods. If gold was insufficient to provide the needed monetary expansion, the argument ran, then supplement gold with silver. There had always been a silver tradition in the United States and in the late eighteen-nineties it had the emotional appeal of a panacea for the economic ailments of the day.

But the debtor and silver interests were never able to persuade Congress to allow free coinage of silver, although between 1878 and 1893 various laws were passed calling for the purchase of silver in varying prescribed amounts. In 1900 the United States went on a pure gold standard, silver being purchased only for subsidiary coins. Silver did not go down without a fight. In the nineteen-thirties Congress, under pressure, adopted the Silver Purchase Act of 1934 as part of its programme to mitigate the depression. Once again the Treasury was required to buy silver at fixed prices, even though it had no use for the metal. This requirement is still on the books, although it is generally recognised that the purchase of silver would be of infinitesimal value in fighting a recession. But it will take more effort than the Administration has yet applied to overcome the passive resistance to breaking the tie to silver.

SHORTER NOTES

Last week the *New York Times* became in fact what it has long been in practice, a national newspaper, when it began publishing a western edition. Printed in Los Angeles from type set by a machine fed by a perforated tape which is the duplicate of one coded in New York and transmitted across the continent by electronic impulses at the rate of 1,000 words a minute, the west coast edition, like the present European one, will be virtually the same as the New York paper; it will be distributed, mainly by post, in thirteen states, on six days a week but not on Sundays.

A strike which began over eight years ago and which cost the trade union involved over \$10 million has been settled at last by a one-year contract with the Kohler Company, which made plumbing fixtures—and continued to make them with non-union labour.

RETAIL BUSINESS SURVEYS

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LETTERS

Much More than Fifty-Fifty

SIR—May I be allowed the hospitality of a comment on the considered survey in your issue of last week? Its title suggested that you would use your expertise to argue that the balance of Britain's gain and loss from entering the common market would be much better than even. But in the text the "fifty-fifty" occurs in a different connection. "Among economically educated people who have paid attention to this subject, it is simply not true, as Mr Gaitskill averred, that there is a fifty-fifty split on whether we should join Europe"—I take this to mean signing the Treaty of Rome—"or not; the division is very much more in Europe's favour. . . . A clear majority exists." "It is simply not true" and "clear" are strong words. Neither of us has made a precise count. My own impression is the exact opposite of yours, anyhow so far as "economists" as distinguished from "economically educated people" are concerned.

The big and certain loss, as I see it, is that we shall have to pay more for rising proportions of our imports, both of food and manufactures. This will impose a progressive additional burden on our balance of payments, still none too strong, and reduce the possible rate of increase in our standard of living. On the side of food, you suggest that we may have to pay more anyhow, owing to "commodity agreements." This is a mere speculation; these commodity agreements have been notoriously difficult to arrange in the past. Are you suggesting that under them world food prices will be so levered up that the EEC will be willing to allow free imports of food? This seems hardly likely. If not, we shall still have to pay more (i.e. European prices) for part of our food imports, through having joined the EEC. And it is to be remembered that EEC countries are likely to produce growing surpluses, which we shall have to buy at their prices, while imposing a tariff on cheaper overseas produce.

Furthermore, in commodity agreements a balance has to be struck between the interests of producers and consumers. If we do not join, our government will have to stand up, within the bounds of what is just and reasonable, for the interests of consumers, which include ourselves. But if we do join, a horrid conflict will arise, which we are now able to avoid. Our government will have to join the camp of the producers, which includes of course the EEC, since, being debarred from helping our farmers, as at present, by deficiency payments and other forms of subsidy, it will have to press for high enough world prices to give them a "fair deal." And it will thereby have to

press for something which will injure our balance of payments and our standard of living.

On the side of manufactures, it must be remembered that the developing countries need, as a lifeline, rising export revenues and, to get enough, they must increase their exports of "conventional" manufactures. They cannot live by aid alone. And, pound for pound, foreign exchange earned by the export of their own products is more valuable to them than foreign exchange coming in through foreign investment in their territories or even through "soft loans." What helps them helps us too, since we get their imports cheap. It is a case of mutual advantage. Our right line is to continue to be hospitable to their conventional manufactures while switching some of our own resources into expanding our capacity to produce sophisticated products, including capital goods, for them.

You say that if we do not join the common market, we shall continue to stem the inflow of manufactures from overseas by quota arrangements. Doubtless we are entitled to safeguard sectors of home industry against too rapid a transition, as with Lancashire at present. But that is not the point at issue. Why on earth should we impose a tariff on manufactures from developing countries while going over to the free importation of them from the rich countries of continental Europe? This is the most flagrant proposal for taking from the poor and giving to the rich that I can recall. And this again will injure our balance of payments, progressively as time goes on, and our standard of living.

Now for the advantage. This is what is so problematic. You argue the absolute need for a wider market. It is by no means clear that for the general run of things a population of 50 million with high standards of living is insufficient. I am not denying, however, that there are certain sectors of highly science-based industries, in which one needs a hundred per cent specialisation in no less an area than the whole of western Europe. I am in favour of a free trade area there, if only it could be obtained without the disadvantages aforementioned.

But I have the impression that we shall gain most of this required specialisation, whether we join the common market or not. We can build factories on the Continent, as the Americans are also doing. But also by tacit understandings or by mutual financial arrangements between firms, there will be a tendency to let the specialisation go forward. The scientific research behind sophisticated products is very expensive. If we push ahead and spend still more money on the development

of products in which, by our having already spent money, we have some lead, continental producers will tend to say: "Let the British go on with that; we do not want to divert lots of money and technical resources into a product which the British are providing satisfactorily." And conversely, of course. In this context tariffs do not assume all that importance. That is widely recognised. In my judgment it is lacking in sense of proportion to limit our imports from overseas, thus injuring our balance of payments, striking an unkind blow at the developing countries and thereby undermining the viability of the free world as a whole, in order to gain the advantages of greater specialisation in Europe, which will probably fall into our lap, whether we join the common market or not.

To spare your space, sir, I have had to confine myself to a few points only, but, I believe, important ones.—Yours faithfully,
Christ Church, Oxford ROY HARROD

As She is Spoke

SIR—In your issue of September 15th, your correspondent is unfair to the private schools of English. He suggests that teachers employed in these schools are inferior to LCC teachers because they receive lower salaries. I would not agree that the quality of a teacher is reflected in his salary, but in any case, it is unreasonable to compare the rates paid by private schools of English with those of the London County Council.

The LCC are free to run their courses at a loss since their costs are subsidised by the ratepayers. They can undercut the private schools by offering their courses to foreign visitors at a nominal charge, while they can afford to pay their teachers salaries which are beyond the means of private schools of English.

Secondly, the LCC classes are very much bigger than those of the private schools. If the average size of classes in private schools is 10, and that of the LCC classes is 35, which is the figure I have been given by the LCC, then private schools, on an average, employ more than three times as many teachers as the LCC for a given number of foreign students. In these circumstances, it is quite unreasonable to expect the private schools of English to pay their teachers at the same rate as the LCC.

However good the teacher may be, the success of a language course will depend primarily on two conditions: the size of the classes—which must be small enough to ensure that students receive individual attention—and accuracy of grading. Neither of these conditions can be fulfilled in classes of 30 or more, and that is why, in my opinion, the private language schools with their small, graded classes have become so popular with students from the Continent during the last ten years.—Yours faithfully,

D. E. HINDS-HOWELL
Secretary, Institute of
London, SE5 English Language Schools



Dully technocratic

HOME REPORT

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

Rome via Llandudno

FROM OUR SPECIAL CORRESPONDENT

As your musing correspondent strolled out of Llandudno's pier pavilion at Wednesday lunchtime a seagull bombarded him from a great height. It thereby provided the opening sentence for which he was searching. For, up to that time at any rate, Tory delegates were not doing the same thing to their ministers with any great effect.

On that opening day some ministers were actually rather worried about this. Nothing, they said, might be more dangerous at this conference than boredom. The conference had assembled on Wednesday morning in a small and uncomfortable hall in which almost everybody seemed to have a cough: it was not the easiest high road into history for either ministers or rebels to tread. The opening debate on economic affairs was therefore frankly a somnolent flop. A succession of speakers shuffled through a series of speeches that were distinguished only for their brevity. Three speakers were polite about Mr Selwyn Lloyd, one said that Mr Lloyd ought to have been sacked two years ago; three spoke up for more expansion ("stop dawdling, Maudling"), others said that inflation was still the main danger. All were greeted by an almost equal degree of strictly perfunctory applause. That went for Mr Maudling's speech, too: he signally failed to set the wet blotting paper of this conference alight.

Wednesday afternoon's debates were only a little better. In the debate on industrial relations the speeches from the floor were perhaps of a slightly higher standard than the morning's economic essays; and, to Mr Hare's evident relief, the one specifically anti-trade union speech was not particularly loudly applauded. But neither was Mr Hare's own effort, for the hungry sheep who looked up to him were not allowed to be fed as expected. By the end of Mr Hare's speech nobody quite knew whether or not he had indicated that legislation to provide workers with a contract of service (and with rights to statutory periods of notice before dismissal) would find a place in the programme for Parliament's next session.

In the housing debate the Tories achieved a more radical image. The speeches from the floor demanded a



Strictly perfunctory

great speeding of slum clearance; and Sir Keith Joseph, the new housing minister, impressively promised it. Sir Keith rightly said that the main barrier in the way of slum clearance at the moment is not finance, but a shortage of urban land and of building labour in the places where they are needed. He therefore intends to press forward with a programme of "doubling or trebling the rate of slum clearance" in some of the biggest cities by (a) allowing higher density building in some suburbs (which probably will not eventually like it), and (b) by getting larger components for new sorts of houses manufactured in factories "in the dry," and then erecting them on his new sites by labour that will not need the ordinary building craftsman's traditional skills. In this programme he may run into trouble from lovers of open spaces, and possibly from some trade unions; but there is an air of admirably ruthless determination about Sir Keith, who may well be going to become one of the Tories' most trustful (if also, in some places, best hated) ministers. He earned and received the conference's first standing ovation.

Nevertheless, by Wednesday evening, both journalists and some ministers were looking pretty desperate. The journalists were desperate for something to write about and were all preparing to fall back on the feeble jokes which seem inseparable from a conference in a seaside resort. (Two of these were duly provided on Llandudno promenade: a rival show to the Tory conference called "Professor Codman's Woodenheaded Follies," and an arrow pointing at the conference pavilion, saying mysteriously: "Follow Rabbit to Wonderland.")

Ministers were worried for a different reason. The fact that the conference had not been set alight on the first day made some of them fear that it might burst aflame in Thursday's all-important debate on the common market. There was some fear that the anti-

The Economist

OCTOBER 11, 1862

DEVELOPING THE NEW FOREST

Passing Southampton, we soon get into the New Forest, where scenes of much sylvan beauty and wastes, in their actual state utterly barren, are alternately presented to the traveller. The clays and sands of which the great part of the New Forest consists is in places covered with erratic flint and gravel. Where the clay prevails the soil grows good oak, and some thriving plantations, recently made, exist. Where the sand overlies the clay, little besides rushes and heath, with occasional patches of furze, at present grow. Where tall furze flourishes, the farmers of the district say the land is worth reclaiming. . . . While we do not believe that the forest land affords so hopeless a field for agricultural improvement as Mr Wilkinson represents, we entirely agree with him in its great value as furnishing sites for residences, and that the true way of dealing with the New Forest is to sell it out in blocks of various sizes according to the nature of the different localities. In fact, agricultural improvement and residential improvement would then go on hand in hand, the one helping the other. After the rights of the commoners have been commuted and provided for, the rest of the land should be laid out in blocks varying from a square mile or 640 acres to 20 or 30 acres, a few main roads and some wide arterial open drains having been first made. This would utilise the New Forest, and while much of it would doubtless be bought for residential sites, still more of it would be gradually brought into a fit state for husbandry. If the soil were well drained, the means of improving the sands are close at hand in the clays which underlie them, and the vicinity of chalk would cause its extensive use wheresoever the railways could convey it. To the Crown, as representing the public, the benefit of such a sale would be immense. A few officials and certain jobbing interests could alone object, and even these might have all their just and substantial claims provided for in the enclosure and division of the forest. To the labouring population of Hampshire such a measure would be one of wonderful advantage.

marketeers might have mobilised their forces with a hitherto unsuspected degree of behind-the-scenes efficiency. With the country said to be split about fifty-fifty on the virtues of the common market, it might, some people began to say, be too much to hope that Tory delegates would vote really overwhelmingly in its favour. The conference organisers were accused by some of having been quixotically generous in allowing the most eloquent anti-marketeers a special dispensation of time in which to speak. Moreover, it was whispered at a lower level, *sotto voce*, Mr. Butler was to speak for the Government in the middle of the debate. If he felt the mood of the conference running more strongly than expected against the market, he might not be the strongest prop on whom Mr Heath could lean.

As it turned out the fears disappeared in the first twenty minutes. Of the two relatively small cliques in the hall, the anti-marketeers were scattered and isolated and made to look absurd. The pro-

marketeers were larger, noisier and in their early heckling of their opponents quite often unfair. By the time Mr Butler rose, the applause even from the more silent centre rolled out at phrases like "this great adventure." By the time Sir Derek Walker-Smith summed up for the anti-marketeers in a speech much more eloquent than last year's, he was heard largely in embarrassed silence. So, it must be admitted, was Mr Heath's dully technocratic dissertation which ground on above his audience's head, desperately eager though the conference was to cheer him. But the Conservative party knew where it was going all right. As the thin trickle of hands went up against the Government, followed by the great forest of voting in the Government's support, the noise in the conference hall suddenly hushed some way below the level of historic events. Not with a bang, but with a reedy giggle of sympathy for the crushed minority, Tory opposition to the European venture died its death on Llandudno pier.



FROM A CORRESPONDENT IN DURHAM

WHILE the North-East Development Council is trying to dispel the impression that the region consists largely of slag heaps and grime in order to attract new people and industries, the year-old North-Eastern Association for the Arts is trying to crack that other image of the region which has hearty barbarians, rolling their "r's" and blowing crude pipes, as its main constituents. It is intended to prove that culture has not died in the north-east, both by propaganda and, more sensibly, by giving financial encouragement to new activity in music, opera, ballet, drama, painting, sculpture, and writing.

Apart from its intrinsic ambition and possible wider effects (there has been no genius of the "New Wave"—yet—from the north-east) the association is interesting because its organisational shape is one favoured by the Arts Council and so could become a pattern for similar regional associations elsewhere. Its membership includes industries, trade unions, university art societies, and ordinary people: but it is principally an association of local authorities able to raise its funds through regional effort—and to do this before asking for grant aid, which is the feature that endears it to the Arts Council, on whom the burden of supporting provincial ventures weighs heavily. The association has high hopes therefore for the success of its application for backing, to the extent of £1 grant for each £1 raised regionally.

So far, 38 local authorities in the north-east have signed up as members of the asso-

ciation, and most are to devote a farthing rate to the project. If all 88 local councils signed up, £43,000 a year would come in from this source alone, but Mr Arthur Blenkinsop, the acting secretary of the association, agrees that it is most unlikely that every rural district council in the region will be sufficiently keen on self-improvement to pay good money for it. But he does expect the number of local authority members to rise to 50 next year, and from these and other sources to raise £40,000 compared with this initial year's £26,000: even if the Arts Council does not feel able to double that, it is likely to make a significant grant.

In addition, the Gulbenkian Foundation has given £9,000 over three years, to pay the salary of an "arts officer." Actually the foundation will probably get some of its money back, because the association will offer an annual salary of only about £2,000, which is what it will be able to afford itself when the "Gulbenkian years" are over.

THE first task of the arts officer will be to survey the virgin territory of the region's existing cultural activity, and then to submit detailed proposals for the future. The function of the association will be largely that of a grant-aiding body, and one of the knottier problems still to be worked out in detail is how its income should be divided between the various artistic activi-

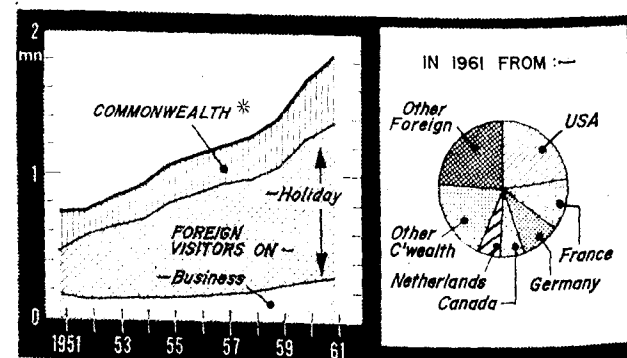
ties. It is already clear that music will receive a lion's share: the Northern Sinfonia, for instance, has 25 permanent professional musicians touring the north-east, and it is not a money-making venture. If, as is likely, the association takes over as its financial support, it hopes that the contributions from local authorities and the private donations, which at present keep the orchestra in being, will be diverted to the association's funds.

Most money will be spent on encouraging native talent; but some will go in introducing established talent from outside as well. Famous performers rarely include the area on their visiting lists at present, and it is not on the usual circuits of national exhibitions. Efforts will be made to extend exhibitions of painting and sculpture, including work by local artists, throughout the region; a half-yearly magazine on the arts in the north-east will be published, and an annual literary award may be offered for the best published and unpublished work by north-east writers.

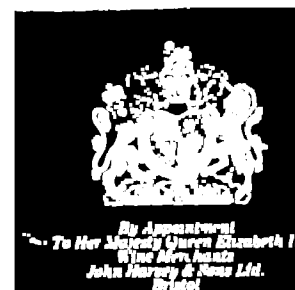
All this activity will be within the region, and, apparently, aimed primarily at people within the region, but it is significant that the association has been given office space by the North-East Development Council and that, when published, the half-yearly magazine will be sent out by the council together with its own publicity material aimed at industrial prospects.

They Came to Britain

Over the last ten years the number of visitors to Britain (excluding those from the Irish Republic) has more than doubled, according to the latest report of the British Travel and Holiday Association. In 1961, around 25 per cent of the total number of visitors from most foreign countries were on business trips. Two notable exceptions were the United States (13 per cent) and the Netherlands (38 per cent).



* Including long-stay visitors arriving via the Irish Republic



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houses where
everything else is rare?



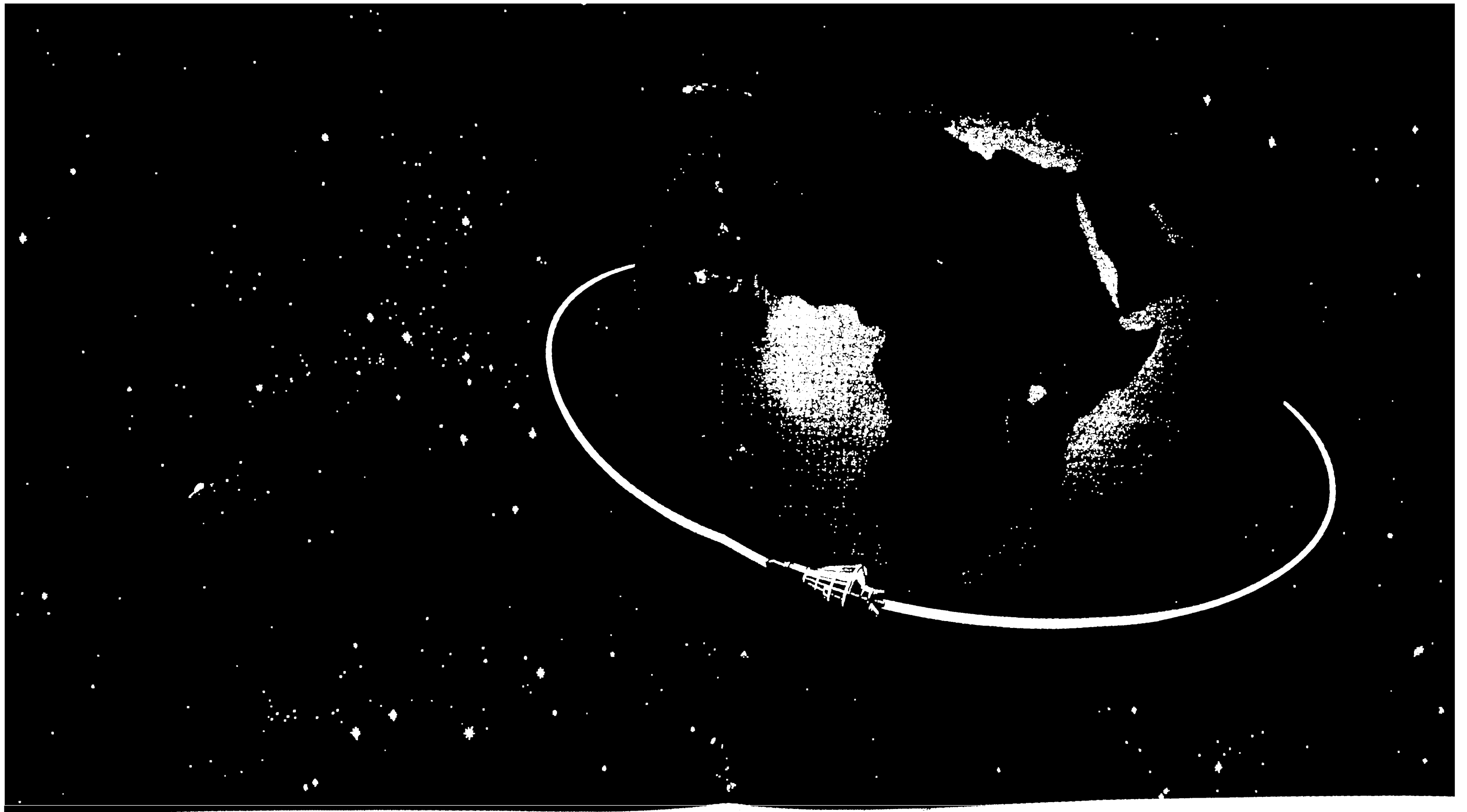
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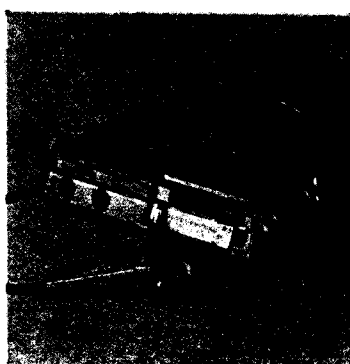


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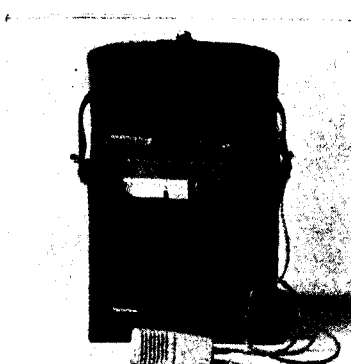
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BOOKS

Full and Empty Purses

Income Distribution and Social Change

By Richard M. Titmuss.

Allen and Unwin. 240 pages. 25s.

ANARCHARSIS the Scythian observed that laws were like cobwebs, where the small flies were caught and the great broke through. After 2,500 years, the fiscal laws, at least, are still partial. The difference is that now it is unnecessary for the wealthy to break the law; the benevolence of the courts and the ingenuity of tax consultants make it easy for them to avoid taxation legally. The principal technique, used increasingly in recent years, is for the individual to arrange his spending power so that less of it is recognised and recorded by the Inland Revenue as a single income. The wage or salary earner, taxed on PAYE, has less incentive and no opportunity to manipulate his resources in this way. The theme of Professor Titmuss's latest book is that largely as a result of the spread of tax avoidance among the rich, the official statistics of income distribution, which make no allowance for this development, have become progressively more unrealistic as measures of the actual spending power of different sections of the community.

There have been many studies of income distribution in Britain published in the last decade. All the previous authors relied, more or less uncritically, on data from the reports of the Inland Revenue and not surprisingly they all came to the same conclusion—that there had been a substantial levelling up in incomes since the late 1930s. Professor Titmuss ends the unanimity. The main part of his book is a careful examination of the reliability of the official statistics of personal income before tax and, in effect, his only conclusion on changes in the income distribution is that the figures are too shaky to support any conclusion. He does imply, however, that the apparent levelling up in incomes could be partly, or even wholly, explained by the bias in the Inland Revenue's figures.

The bias arises mainly from the increase in tax avoidance and many pages are devoted to an anatomy of this devious and fascinating subject. It is shown how through covenants, trusts and other arrangements an individual can split up his income among his family or spread it over his retirement. Alternatively, he can turn income into capital through the formation of a private company or take remuneration in the form of fringe benefits or income in kind and so escape taxation that way.

It has long been recognised that death

duties are largely optional taxes. Professor Titmuss has now indicated the degree to which the payment of taxes on large incomes is also voluntary. Surprisingly, he does not discuss at any length tax dodging among the lower income groups; and yet it could plausibly be argued that the gulf between those who cannot avoid taxation and those who can lies not so much between the rich and the poor as between those who pay tax on Schedule E and those who pay, or avoid paying, on Schedule D. Small traders in aggregate may be responsible for quite as much avoidance and evasion of tax as the wealthy subjects of the professor's exposure.

This book is not easy to read. The meandering argument is difficult to follow. It is further slowed down by too many examples, the effect of which is sometimes to overwhelm, rather than to support, the points made. Too often the sentences are clogged with figures. On page 112, for example, there are 26 numbers (five with seven or more digits) and 18 dates. But any book which makes many earlier studies redundant and requires many more to be rewritten is important. This one will be useful as a work of reference as well. It brings together a mass of information on income distribution and tax avoidance previously scattered among specialist journals from many subjects. But perhaps the book's greatest contribution will be its effect on policy discussions. It demonstrates the need to obtain much more information on the dispersal of income and wealth. It suggests that tax avoidance may be more extensive, and therefore require more urgent attention, than was thought. Above all, the book challenges the assumption that there is a trend towards a more equal distribution of income which justifies a move towards regression in Government taxation policies (i.e. towards levying less taxes on the rich) whatever the arguments for such policies on other grounds.

The Clash of Interests

The Nature of Politics

By J. D. B. Miller.

Duckworth. 296 pages. 30s.

PROFESSOR MILLER has written an interesting, stimulating and eminently readable analysis of the nature of politics, which is mercifully free from the jargon (although there are some blemishes) that so often disfigures this type of book. He is an unrepentant follower of Heraclitus. For Professor Miller politics is in a perpetual state of flux and there are few fixed points,

only a constantly changing spectrum of interests. In making interests the basis of his political approach Professor Miller is writing in the tradition of Bagehot, to whom politics was first of all a species of business. The perpetual clash of these interests is the very stuff of politics, and it is this tendency to disagreement, says the author, which is natural to man, not a drive towards an ideal agreement, as Rousseau would have us believe. Conflict, says Professor Miller, lies at the very heart of politics:

Politics, then, is about disagreement or conflict; and political activity is that which is intended to bring about or resist change, in the face of possible resistance. It is not necessary to suggest that people engaged in politics never agree, or that open and flagrant disagreement is necessary before we can see politics going on; what is important is that we should recognise that conflict lies at the heart of politics. In a world of universal agreement, there would be no room for it.

In other words (which Professor Miller would certainly not use) politics, like literature, is one of the more agreeable consequences of original sin.

This picture of politics as a perpetual clash and struggle is true up to a point, but perhaps Professor Miller carries it too far. At times he is painting with the brush of Hobbes when the lighter strokes of Locke would seem more appropriate. He comes near to rejecting the proposition that there is any general interest in politics at all either in the Thomist sense of a general direction of government by reason, or the Platonic notion of the need to subordinate the parts to the whole, or even a general interest arising from the mere fact of living together in society. While his insistence on the connection of politics with the social structure of a community is welcome, it is surely going too far to say that a common concern is no necessary part of society and will sometimes be found and sometimes not. It is true that the common concern will alter. It is not the same in a society of national states as it was in the Roman Empire, or is likely to be in the more united world of the future, but the fact that it changes does not mean it does not exist.

Nor does Professor Miller give nearly enough weight to the continuity of moral ideas and their influence in politics. One misses in his reflections the synthesising mind of Burke. Yet in English politics, to take a parochial example, there is a direct moral connection between the medieval idea of the essentially limited power of the state and the modern political system we enjoy today. It is the same on the continent of Europe, although there violent breaks and oscillations between different moral traditions have obscured the norm. In his chapter on "The Effect of Ideas", the author does not of course deny that ideas have political effects, but he maintains that for the most part they are heavily national in character and subordinate to actual interests. This is too narrow a view of European political development and Professor Miller may be somewhat myopic here because he is an Australian and Australian politics are very much the flux of interests.

These criticisms, which are based on a rather different view of politics from that of the author, should not however be allowed to obscure the undoubted merits of this well written and thoughtful book.

Swinging on Hanging

Capital Punishment and British Politics

By James B. Christoph.

Allen and Unwin. 202 pages. 25s.

LOGGING has dropped out of the picture at this year's Conservative conference. Does this mean that the Tory rank and file has been converted to the view that brutality should have no place in penal policy? And does it therefore also indicate a possible weakening in the traditional Tory support of capital punishment?

In this careful and well-written analysis of the abolitionist campaign, culminating in the Homicide Act of 1957, Professor Christoph, of Ohio State University, shows that there has definitely been a weakening of the retentionist position. Capital punishment is still supported by a majority in the country as a whole; but the majority is significantly smaller than it was in 1948. More important, there has been a real change in the attitude of the two groups, abolitionists and retentionists. In 1948, when the latest abolitionist campaign began, with the attempt to add the suspension of capital punishment to the Criminal Justice Bill, its supporters were on the defensive: they were expected to prove that abolition would not lead to more murders. In the fifties they had moved over to the attack, and it is the retentionists now who feel the need to justify their point of view. Although the Homicide Act is an unsatisfactory compromise, which produces border line cases that rouse strong public emotion, the fact that it was passed, when another Government compromise had been laughed out by the House of Lords in 1948, is a tribute to the increased strength of the abolitionist cause.

Professor Christoph discusses the reasons for this partial success. He describes the respective parts played by the Howard League for Penal Reform and the two organisations that attempted to influence public opinion directly—the National Council for the Abolition of the Death Penalty, which in 1948 merged with the Howard League, and then the National Campaign for the Abolition of Capital Punishment. He points out the difference between pressure groups of this sort, which attempt to change attitudes, and the sectional groups, like trade unions, which can apply sanctions. Essential factors in the swing in opinion, he emphasises, were beyond the power of the organisations to bring about: a series of murders, followed by executions, that pricked people's consciences—the Bentley case, the Evans/Christie case and the Ellis case.

The author also raises the point whether

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the issue of capital punishment should be left to a free vote of the House of Commons. To do so means that a government that is responsible for maintaining law and order and for penal policy may find, as in 1948 and 1956, that an important part of its responsibility has passed beyond its control, and it then has to backpedal and negative a free vote. So far when this anomaly has arisen governments, of whichever party, have always as a body been retentionists. If a government wished to abolish the death penalty, and allowed a free vote but was defeated, what would it do then? What indeed will a Labour government do if it is returned to office with only a small majority at the next election?

Confidence Trick

Ouvrard: *Speculator of Genius 1770-1846*

By Otto Wolff. Translated by Stewart Thomson, with an introduction and notes by T. A. B. Corley.

Barrie and Rockliff. 253 pages. 30s.

THE only treasure which is never exhausted, which grows and multiplies, is credit." Gabriel Julien Ouvrard practised what he preached: his credit was astonishingly resilient. His buoyant eloquence inspired confidence; his intuitive weather-sense kept him afloat—even when his passengers went overboard. The son of a paper-manufacturer, he gambled on the French Revolution's appetite for proclamations, pamphlets, songs and lists of suspects; and at nineteen made his first pile by cornering paper in Nantes, whose civic slogan in 1789 was 'business even more lucratively than usual'—till the arrival in 1793 of Carrier, sent from Paris to turn war-profiters into patriots or corpses. Whereupon Ouvrard prudently enlisted as a clerk in the local military HQ, maintained his commercial contacts by mislaying lists of the proscribed, and then evaded the *noyades* by drafting himself to the western army. In the months before Thermidor his bold impudence secured him substantial compensation for war damage to the family paper mill, and a marriage to the daughter of a rich merchant whose release from prison he claimed to have arranged. She subscribed liberally to his speculations and submissively tolerated his liaisons.

One of these was with Thérèze Cabarrus, Tallien's ex-mistress, popularly canonised as "Our Lady of Thermidor" for her part in Robespierre's downfall. She introduced him to Barras and the crowd of adventurers, political, military, and financial, who formed Directory 'society.' The author believes that Ouvrard tried to stabilise France's collapsing economy; but most contemporaries (and historians) emphasise his success in expanding his own. Between 1794 and 1799 he amassed a huge fortune. The events of Brumaire did not worry him. Whether he ostentatiously supported the deserted Barras by breakfasting with him, or backed Bonaparte by buying bonds, is immaterial. Probably both—he knew when to hedge.

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The author seems shocked by Napoleon's indifference to Ouvrard's over-prompt offers of advice and money; he wonders if it was due to fear of the financier's friendships with ex-Terrorists and of his attentions to Josephine. But it was not the bogus-revolutionary or the lady-killer whom Napoleon mistrusted, but the richest of the contractors whose operations in the Italian campaign had been far more dangerous than those of the Austrians. This mistrust justified Napoleon's relentless exaction of loans and his lack of enthusiasm for the fantastic complications of Ouvrard's attempts to smuggle Spanish-Mexican treasure through the British blockade. It explains, too, why Napoleon arrested him in 1810 for his collaboration with Fouché in secret discussions with enemy bankers. The author's regret that Ouvrard was not released to organise the commissariat of the Moscow campaign seems odd. It is as if a biographer of Horatio Bottomley were to complain that he was not made Minister of Munitions.

On Napoleon's abdication in 1814 Ouvrard rushed with offers of help to Louis XVIII; reinvested in the Emperor during the Hundred Days; but sold Bonapartes and bought Bourbons after Waterloo; and in 1816 operated as a contact-man in the raising of foreign loans to pay the indemnity due to the Allies. In 1823 he reappeared in his old role—as chief contractor for Louis XVIII's military promenade into Spain. He bought lavishly on a cost-plus basis for a long campaign, but was in trouble over his accounts when it became a short one. An official investigation, which lasted three years (followed by three years' imprisonment for refusing to pay one of his creditors), did not finish him; for in 1830 he fought an unprofitable stock market battle with the Rothschilds. But from then till his death in 1846 he lived in a prosperous placidity only once disturbed—by an unsuccessful legal action against a swindler who was sharp enough to get the better of him.

This biography, though historically sketchy, is an entertaining study of the age as well as of the man. But it takes Ouvrard's pretensions too seriously. His favourite aphorism—that credit increases a man's resources, adds to his wealth, and so benefits the state—is quoted as portentously as if it were an axiom of Keynesian economics; and not, as it was in Ouvrard's career, a useful formula for a life-long confidence trick.

Victory and Splendid Defeat

The Battle of Arnhem

By Christopher Hibbert.

El Alamein

By Michael Carver.

Batsford. 224 and 216 pages. Both 25s.

ON Sunday, September 17th, 1944, the leading brigades of the British 1st Airborne Division landed on Dutch soil a few miles west of Arnhem; by midnight, about 500 parachutists were at the north end of the bridge over the lower Rhine that

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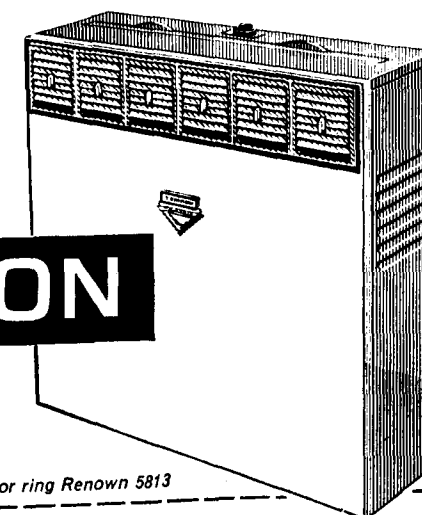
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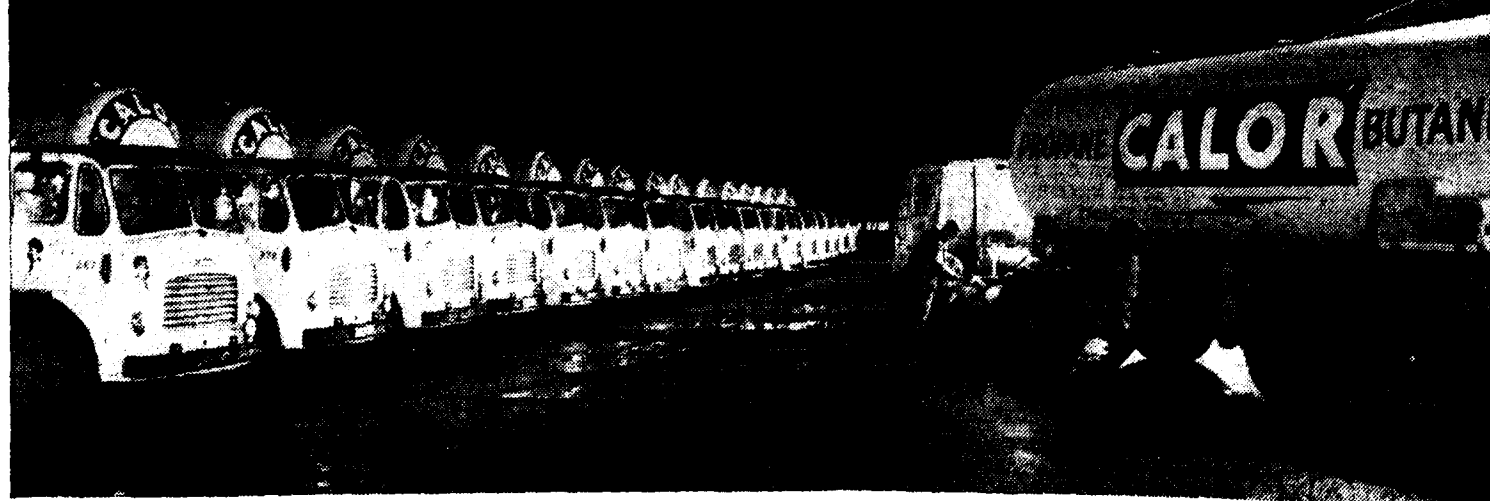
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the division was confidently expecting to seize. The one intelligence officer with the intelligence to predict the presence of much German armour in the neighbourhood had been told he was overwrought and sent home. As it turned out there were the better part of two German SS armoured divisions close by; and the Germans were on top from the start in everything but fighting enthusiasm. Bad weather, bad signals, and bad luck combined to deprive the British of air support to reinforce their light artillery, and to condemn the airborne troops to watch pilots of impeccable gallantry dropping the food and ammunition they depended on straight into enemy hands through a holocaust of anti-aircraft fire. They had expected relief in two days and prepared to hold on for four. After eight—eight days' fighting, with little to eat, less to drink, and practically no sleep at all—the survivors were still hanging on to about a square kilometre of Holland, and still fending off heavy tanks with hand-held weapons and untameable skill. The last of them were withdrawn across the river that night.

Mr Hibbert has written a short, clear, and moving account of this astonishing feat of arms. He has seen many participants, and quotes freely from narratives written down nearer the time. He conveys sensitively the feel of the battle, and the relentless pressure that drove hitherto brave men into screaming surrender, while it turned hitherto quiet men into heroes. At this distance in time from the event, he can be compassionate about the causes of the failure, of which the principal one was that these élite troops were frantic to get into battle again before the war was over. Three-quarters of them became casualties that week.

BRIGADIER CARVER'S informed, detailed and unimpassioned picture of the battle of El Alamein provides in a most valuable form the evidence necessary to answer the query: how far did Field Marshal Montgomery bungle the battle? Brigadier Carver, who served at Alamein, on the whole comes out solidly in favour of the Field Marshal. Despite all the complications and setbacks, Montgomery achieved successfully his main objective. This was to draw the enemy's tanks into a fight of attrition in which our superior artillery and airpower could grind them down. This, says Carver, "may have been expensive and unromantic, but it made certain of victory, and the certainty of victory at that time was all important."

He also disposes effectively of the argument that Montgomery's success in the earlier action at Alam Halfa was due to a plan he took over from Auchinleck. Whether Montgomery took such a plan over or not, he certainly modified it in its most important aspect, by bringing forward 44 Division from Cairo. And, though brand new to the desert, he fought the defensive phase of the battle most skilfully.

Brigadier Carver also makes one very important point which has escaped the notice of Montgomery's detractors—the degree to which he improved the quality of the 8th Army by intensive training between Alam Halfa and the main battle in October. In retrospect, this may emerge as one of Montgomery's greatest strengths—as the neglect of training in the past may prove to have been the real weakness of his predecessors.

But Brigadier Carver finds the case generally proven against the Field Marshal for having bungled the pursuit, and also for having claimed in his Memoirs that the battle went according to plan, when it certainly did not. Indeed Montgomery, by claiming too much, has helped to diminish the credit due to him for what was unquestionably a great victory. What is needed now is to judge him by what he did, rather than what he said he did. It is the merit of Brigadier Carver's book that it enables us to make just this judgment. Though marred in places by military jargon, it is an honest, informed, thoroughly professional study of what was above all a professional soldier's battle.

Wilson and Mexico

The United States and Pancho Villa:
A Study in Unconventional Diplomacy

By Clarence C. Clendenen.

Cornell University Press, for the American Historical Association. London: Oxford University Press. 366 pages. 46s.

THE decade 1912-1922 was marked by the high tide of those appearances by United States marines in the Central American and Caribbean republics, the memory of which affects relations between the United States and Latin America to this day. Into Cuba they went in 1912 and again in 1917. Elsewhere they went in without benefit of the Platt Amendment—into Nicaragua in 1912, into Haiti in 1914 and 1915 and into the Dominican Republic in 1916.

Superficially these moves seemed to represent only a further stage in United States expansionism towards Latin America, of which the Mexican War of 1846, United States ambitions to possess Cuba and Theodore Roosevelt's midwifery at the birth of Panama had been previous and prominent features. In fact they were mainly tokens of the failure of a new policy in Washington; for they mostly took place only after Woodrow Wilson, who had firmly repudiated dollar diplomacy, had failed in his attempts to bring stability to his southern neighbours by advice rather than by military or other pressure. Nowhere did Wilson make such an attempt more patiently and more carefully than in Mexico between 1913 and 1915, and it is with this largely forgotten but significant chapter in the story of the United States and Latin America that

Colonel Clendenen is concerned in this excellent book.

At Wilson's inauguration the situation in Mexico contained all the usual ingredients for armed intervention by the United States in defence of its interests. Taft had first been sympathetic to Madero, but had soon found that he intended no favours for United States capital. His ambassador, Henry Lane Wilson, thereupon advised Washington to station 100,000 troops on the Rio Grande on the ground that Madero could not maintain order, supported the seizure of power by Huerta and reported that "a wicked despotism has fallen."

Despite pressure from United States and European interests, Woodrow Wilson refused to recognise Huerta. Failing to persuade him to withdraw, he lifted the embargo on the supply of arms from the United States in favour of the Constitutionalists led by Carranza, a *hacendado*, and Villa, a former bandit. This book is the record of the relationship thus established between Washington and Villa, and of its subsequent collapse.

Villa (his real name was Doroteo Arango) was impelled by a robust if cloudy faith in reform and had early joined the revolutionary forces, in which he first became Carranza's chief commander, with an army of 40,000 men. His establishment of relatively well-ordered government over a large area of northern Mexico contiguous to the United States convinced Wilson that he was "a factor to be reckoned with in the determination of major policies." Regular and frequent contacts were therefore established with Villa through special agents in Mexico and Villa's own men in Washington. But the course of the revolution was to lead to Villa's decline and Carranza's consequent

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ascendancy, and thus the latter was recognised by Wilson after the most careful consideration and inquiry. This development, the resultant re-imposition of an embargo on his supplies, and United States support of Carranza against him, infuriated the hapless Villa. He regarded these actions by Wilson as a poor return for his success in preventing the union of all Mexican factions against the United States when, in 1914, Wilson had sent marines to Vera Cruz to teach Huerta a lesson. In their wrath Villa and his followers first killed 17 Americans and then raided the border town of Columbus. Only then did Wilson agree to intervention—in the form of a punitive expedition under Pershing, whose object of capturing Villa was largely frustrated by Carranza.

The basis of Wilson's Mexican policy was his concern for the common people. Unmoved by considerations of the material interests of the United States, he sought only for a government that would bring law and order, and social and economic justice. That his patient idealism was largely disappointed does not argue against the possibility that relations between the United States and Latin America might be more healthy today if some of his successors in the White House had been inspired by his example.

The Young Swift

Swift: *The Man, His Works, and the Age.*

By Irvin Ehrenpreis.

Methuen. 305 pages. 35s.

IN this, the first instalment of a projected full-length biography in three volumes, Professor Ehrenpreis deals with Swift's childhood and youth, and the years in the household of Sir William Temple at Moor Park, both before and after his ordination. As the title indicates, this is not purely a biographical study, though it is based on primary sources and includes some new or little known material on Swift's family and social background. The sub-title, "Mr Swift and his contemporaries", further illustrates the author's intention of placing him firmly in the settings and among the people that had a formative influence on him; the angle of investigation is historical rather than psychological. But there is literary appreciation too: two chapters are devoted to the early poems—more space, perhaps, than they warrant; three to an interesting assessment of "A Tale of a Tub," and one to "The Battle of the Books".

Whether he is narrating events, describing characters or elucidating texts, Professor Ehrenpreis writes soberly and judiciously. His previous book, "The Personality of Jonathan Swift," was an attempt to look coolly at that extraordinary man, around whom so many speculations have been woven. During the years covered by the present study, Swift displayed an unusually

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acute intelligence (though not in his university work), in other respects behaving like a normal enough young man. His latest biographer is certainly at pains to make him appear so. He makes out a good case for the strong and lasting impression which Temple, as a retired statesman of high integrity and culture, made upon his young Irish secretary, pointing out that Swift not only knew the man as he was in his retirement but, through editing his papers, became acquainted with him as he had been in his hey-day too.

Reinforcing the chapter on Trinity College, Dublin, is a fascinating account of some of the transactions of the Dublin Philosophical Society. Their experiments in astronomy, meteorology and physiology find echoes in the third book of "Gulliver's Travels," and an episode in the Story of Lilliput is foreshadowed by the demonstration of Sir William Petty's toy navy:

He has a fleet of ships in little models of about one and a half and two feet long, more than the King of France, and with these in a great broad trough of water he performs wonders.

Professor Ehrenpreis comments that someone as order-loving as Swift would have little use for such "miscellaneous enthusiasms of half-baked experimenters"—not that Petty was half-baked; he was a true virtuoso—and he makes it clear how great the attractions of Moor Park were for the undistinguished young man who was to become so powerful and enigmatic a figure in English letters.

OTHER BOOKS

HITLER: A STUDY IN TYRANNY. By Alan Bullock. Penguin. 848 pages. 8s. 6d.

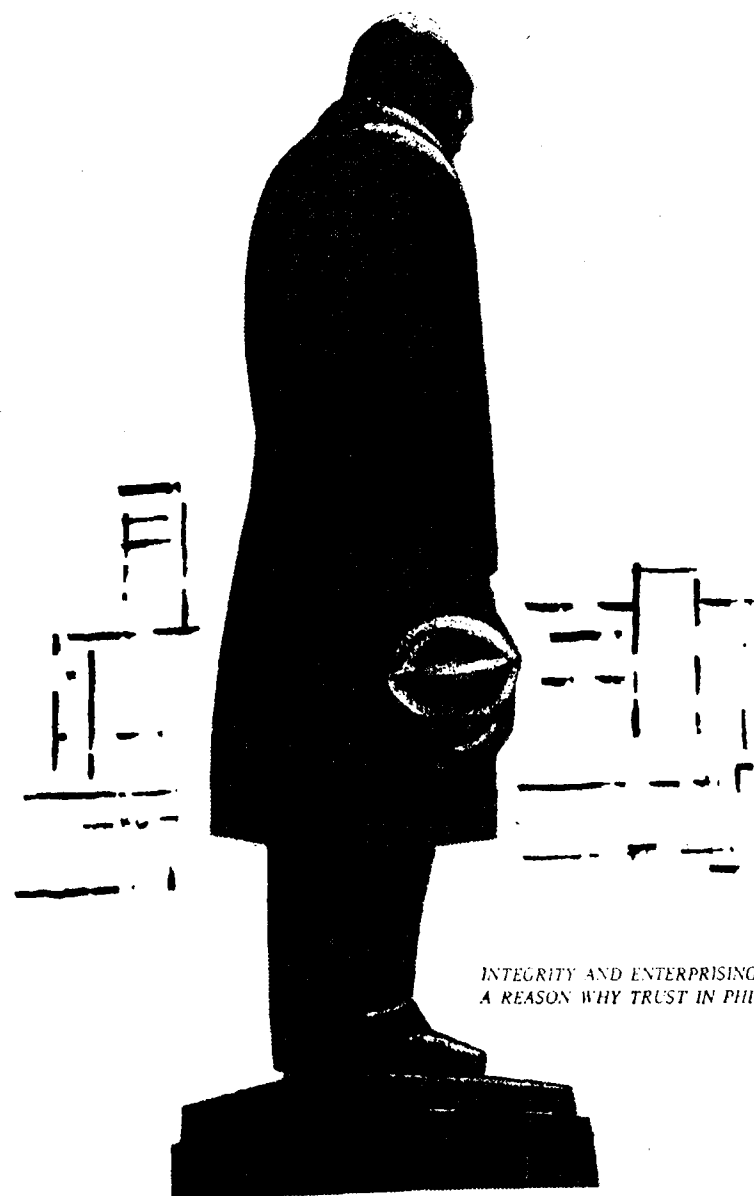
For the Pelican edition of what was recognised from the first moment of publication ten years ago as an outstanding contribution to the history of the Third Reich and to the art of biography, Mr Alan Bullock has thoroughly revised his text. The passage of time has not only permitted him to incorporate new material (he now, for instance, makes much use of Hitler's "table talk" to expose the workings of an extraordinary, warped and evil mind) but also to set the biography, notably where it is concerned with the events leading up to the outbreak of war, in a longer perspective. But there has been no substantive change in Mr Bullock's view; indeed time has enhanced rather than diminished it, just as it has the virtues of the book itself. There can be no better bargain in publishing today than this volume.

THE PROVINCE OF EAST NEW JERSEY, 1609-1702. By John E. Pomfret. Princeton University Press. London: Oxford University Press. 421 pages. 80s.

With this companion volume to his "Province of West New Jersey, 1609-1702," the director of the Huntington Library completes his history of New Jersey during the seventeenth century. Beginning life as part of New Netherland, the present state was presented by its royal proprietor, James, Duke of York, to Carteret and Berkeley. This volume mainly concentrates on the period after 1674 when Berkeley sold his portion and East New Jersey began twenty-six years of separate existence. Scholarly, detached, lucid and full, the author's treatment sticks close to contemporary records, and, while paying most attention to government and politics, also contains much valuable information on social and cultural developments.

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THE BUSINESS WORLD

BOAC: Profit Must Come First

SIR MATTHEW SLATTERY, chairman of the British Overseas Airways Corporation, has described his airline's financial structure as "crazy." Few would wish to contradict him. Last year, 1961-62, BOAC lost £14 million on its revenue account, or roughly £14 on every ticket sold. This is quite probably the biggest loss incurred by any one airline in the history of aviation but it was, as it turned out, only the tip of the iceberg. Below the waterline and out of sight lurked the fact that for many years the corporation has persistently and optimistically overvalued its assets, mainly its fleet of 68 aircraft. In the accounts published this week, the rose-tinted spectacles were laid aside and many of these aircraft were seen for what they really are—hunks of metal that no other airline would be prepared to buy and fly. Their value has now been written down by £33 million more than had been set aside in the corporation's normal provision for depreciation.

There appears to have been some argument about how to treat this once-for-all adjustment of balance sheet values to the actual saleable worth of assets. Some £5½ million of it has been charged to the operating account for 1961-62, which was already £5 million in the red. In its total accounting, BOAC showed a deficit last year of £21 million after paying interest. The remainder of the special obsolescence has been loaded on the deficit accumulated from previous years. However the account is struck, the inescapable fact remains that this, a vigorous growth industry, has accumulated a deficit for the ten years since subsidies ceased of £67 million, £50 million of it in 12 months. If the subsidies of previous years are added, BOAC can be said to have cost the taxpayer £93 million making a profit in only four out of its years of existence. Is there another Dr Beeching in the house?

Sir Matthew wants permission to wipe off the whole of the accumulated deficit and with it the burden of interest payments that have to be found out of current earnings; and to start again with a clean slate—a kind of British Railways operation for an industry a century younger. Then, he suggested on Monday, BOAC could show a profit in two years!

This might be true only, one would think, on the basis of assumptions that Sir Matthew does not appear prepared to make. BOAC's troubles fall into two groups. The swinging capital loss taken this year on its aircraft fleet may be, as Sir Matthew argues, the result of yielding to government and other pressure to buy British airliners that are too expen-

sive to fly and that no-one wants to buy. But it belongs to history. It cannot be undone and regrets or recriminations are so much waste of time—though many other enterprises, public and private, have to go on paying debts incurred in early mistakes. There is something to be said for allowing BOAC to close the door on the past and write off the accumulated deficit as a dead loss (which it is) and make a fresh start—but on one condition only. This is the absolutely clear understanding that the board of the corporation is expected to be master in its own house; if, at some future date, the government wants the corporation to help the British aircraft industry by placing orders for new aircraft that BOAC neither likes nor wants—which might easily arise in the case of the projected supersonic airliner—then the minister should issue a written directive to the corporation to do so. Then everyone will know where he stands.

At present nobody knows where the corporation stands. Does BOAC really want the 35 VC-10s on order? Or was it, as BOAC's report provocatively suggests "necessary initially to order no less than 35 aircraft before the manufacturer would undertake production"? Does this phrase mean that four or five years from now, the chairman of BOAC will be once again explaining excess capacity and a heavy fleet write-off by saying that the government pushed the corporation into ordering the VC-10? It would be better to cancel unwanted aircraft on order, and pay compensation, than to allow skilled men to break their hearts on building unwanted aircraft. BOAC cannot expect that excuses about government pressure will be accepted in future.

When Sir Matthew's suggestion is stripped to its essentials, it emerges as a book-keeping transaction that does nothing to attract one single extra passenger into the corporation's half-empty aircraft. A quite separate set of troubles turn on BOAC's appalling operating results, which are more serious, in terms of its continuing future, than these once-for-all capital losses. In the previous year, 1960-61, BOAC made a profit of £4 million on its flying operations (before charging interest). Last year it made a £5 million loss, despite nearly £5 million more revenue. There is nothing to suggest that this current year's results will be significantly better.

The corporation's plan for meeting this crisis is a simple one and runs as follows: aviation is a growth industry; last

year's bad results were caused by a temporary check to the rate of growth which has persisted into this year. It happened to coincide with the big heave of a five-year expansion plan in which BOAC aimed at more than doubling capacity, so the set-back hit the corporation worse than most. In two years' time, however, traffic should have caught up with the capacity that BOAC has on offer. If the line can again fill 55 per cent of its aircraft, instead of the 45 per cent it has filled in the past eighteen months, the corporation will be out of the red. It is only a question of waiting for the traffic tide to rise sufficiently to float leviathan off the beach.

The country has a right to expect a more dynamic policy than this. It is not at all certain that other airlines are going to let the tide flow BOAC's way. This week's report, a sweet-sour mixture of realism and wishful thinking, draws attention to a permanent change in the pattern of traffic that bodes ill for BOAC. London, it points out, has ceased to be the gateway for Europe now that jets have the range to fly between North America and the major European cities non-stop. The result last year was a levelling-off in air traffic between Britain and the United States, although air traffic across the North Atlantic as a whole rose nearly 8 per cent in the same period. Did the corporation's planners foresee this when they put 60 per cent of BOAC's considerable capacity on to the Atlantic? If not, why not? More important, what are they going to do about it?

ACCORDING to Sir Matthew, nothing at all. He concludes his report in remarkable words:

This is not the moment to turn back. To do so would mean not only a drastic reduction in the size and world-wide image of the corporation and in the contribution it can make to the nation's overseas earnings; it would mean abandoning many routes . . . cancelling many British aircraft now on order . . . dismissing very large numbers of staff. These immense penalties, with their grave economic and social implications, would produce no compensating financial advantages for many years and indeed, the short-term position would be immensely worsened by the large capital losses that would inevitably be entailed.

Someone should tell Sir Matthew that the "economic and social implications" of losing £21 million in 12 months with no prospect of improvement are also grave. The economy of this country cannot afford the luxury of an airline whose financial performance is so outstandingly worse than that of its competitors. Pan American, with a route network that compares closely with that of BOAC, has as many faults as a colander has holes; yet PAA made a profit, after tax, of more than £3 million last year—admittedly a ludicrously low rate of about 2 per cent on turnover, but a profit nevertheless. Other airlines as different as Swissair and Qantas, Aer Lingus and the Colombian Avianca managed to keep out of the red, sometimes by a hair's breadth. But more relevant perhaps to BOAC's case is what has been happening to other airlines that also recorded multi-million pound losses in 1961. Trans-World Airlines, for example, found itself in a plight that has many parallels with that of BOAC: with a staff demoralised by rapid management changes, aggressive competitors taking traffic on all sides, and a large fleet of obsolete, over-valued aircraft. In 1961, TWA showed a loss of very nearly £14 million, £8½ million of which represented the drastic writing-down of propeller aircraft. There followed an administrative

shake-up and a sales drive that was big even by American standards. TWA is now showing a profit on its international services—where it most closely resembles BOAC. It may, with luck, break even this current year and should certainly do so in 1963. In Scandinavia, where new management was brought in to cure an SAS loss of more than £6 million in two successive years, the airline is on the road to recovery and is expected to break even by next year. In Holland, the Dutch airline, KLM, is going through the same treatment. Why does BOAC think it should be any exception? Why, when every other airline meets losses by attempts to re-organise for greater efficiency, does BOAC alone believe that its administrative and management structure is beyond any significant improvement?

This is not a carping question. Administrative costs are the only ones directly under an airline's own control; the prices of all its other expenses, aircraft, fuel, engineering and landing fees, are fixed for it by other agencies. If some airlines make a profit and others in the same year, under similar conditions, make a loss, the inference is that the former group have tighter control over their administrative costs than others. The perceptive and experienced men who guide BOAC's destinies must be aware of this. How then can they argue that it is essential to keep a staff of about 20,000 to do half the work that TWA does with precisely the same numbers?

Can it be that BOAC's management is caught in a trap of its own making, where relations between management and unions have deteriorated to a stage where unions lead management by the nose, where every minor reorganisation has to be preceded by a strike costing perhaps £3 million and where pilots' rotas, laid down in the dim past, mean that BOAC pilots do approximately one-third the work—in terms of miles flown—as those of Pan American? Ironically, the men who work at airports are among the most intelligent, rational and responsible of tradesmen. Will time show that ultimately the sickness that besets BOAC—and not, one must note, other British airlines—is fundamentally one of human relations? This could and should be one of the biggest and finest airlines in the world, in the vanguard of traffic expansion and not, as today, begging for a further 10 per cent rise in fares at the air fares conference now in progress in Arizona (and prepared, if its public statements are any guide, to settle for 5 per cent). If BOAC alone and unaided cannot set its house in order, what is the Government doing to goad or assist it?

COMPANY AFFAIRS

Comments on pages 184, 185 and 188 on:
 Forte's (Hlids). Mecca Debenhams
 Redland Holdings Capital and Counties Hallmark Securities
 Wright's Biscuits Greenall Whitley Copper Dividends
 Interim Results

STOCK PRICES AND YIELDS

Stock prices, yields and security indices on pages 186 and 187

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 189

PROFITS

A statistical analysis of the results for the third quarter of 1962 on pages 190 and 191

£400 Million More Bank Loans?

THE unknown quantity in Mr Maudling's otherwise unexciting reflationary package is the effect of allowing the banks and insurance companies to lend exactly as they wish. It is widely said, and certainly true, that there can be no second expansion on the scale of 1958-60. But in 1958 itself most leading bankers and monetary analysts poured scorn on the possibility of a dramatic upsurge. What they forgot was the size of the pent-up demand for bank facilities by borrowers for whom a bank overdraft is cheaper by a very wide margin, perhaps as much as one-half, than their next available source. To this extent a rise in bank borrowing may represent no more than a switch from borrowing elsewhere; but it may also represent a net increase in borrowing by people who are disinclined, logically or not, to pay what they regard as extortionate rates elsewhere.

Where can advances now be expected to rise? Little, plainly, is to be expected from industry at large, in the old "priority" sectors. The banks have been receptive to borrowers in this category at least since May, when the first release of special deposits was made and when liquidity was clearly more comfortable. In a number of cases these borrowers have arranged larger overdraft limits, involving the banks in larger contingent provisions, but in general such credit has not been drawn. Advances in this category are almost bound to follow the trend of business confidence and of business investment—which both look just about as stagnant now as they did in mid-1958.

The direct impact of last week's official freeing of bank lending falls on the sectors previously under special restraint. This was sharpest on property and speculation but also covered in a residual way personal borrowing for "consumption." The property business is not booming quite so indiscriminately as it was, and some observers believe that the banks will therefore not be faced with many very large projects which they can acceptably finance. But there is other evidence showing that a number of big projects are waiting at the gates; and it is worth remembering that, properly arranged and with the right backers, a property proposition can fall much more satisfactorily within a bank's traditional preference for self-liquidating finance than can most "national interest" advances for heavy capital goods.

A still bigger question mark hangs over the course of bank borrowing by individuals. It seems likely that all the big banks have informed their managers that they can now resume the expansion of lending which they so reluctantly halted in 1960-61; at the same time, head offices have stressed that the size of bank resources will not permit the expansion to go forward too fast. Just what effect this saver will have on local managers bursting to press forward remains to be seen. Memories of the bad risks picked up in the earlier drive will no doubt have some restraining effect, but bad debts have been nowhere near so significant for the banks as in the hire purchase trade. The banks' troubles were often confined to a handful of branches, and could accordingly be put right without great difficulty.

Having learned from mistakes, the banks are in a better position to go selectively ahead now than they were four years ago.

ON Wednesday, at any rate, the Midland again made the first opening move. It cut its rate on personal loans from 6 per cent flat (implying a true rate of almost double that on the diminishing balance) to 5 per cent, the rate at which the scheme was launched by this bank in 1958. The Midland had already resumed lending under this scheme in a quiet way after May, so that repayments have no longer been running above new lending. Now net lending under this scheme should expand a good deal more, with perhaps a larger emphasis on household improvements such as central heating. Other banks are making no immediate reduction. They prefer not to make any public move that could attract the wrong kind of custom; and the Midland itself is likely to give preference to existing customers. But no bank will want to be left behind in personal lending, and those that still abjure the supposedly usurious "personal loan" proper are in practice likely to subsidise their personal borrowers at the expense of their large business accounts.

Demand for bank lending may not, therefore, be so insignificant after all. What scope is there for meeting it? With an average ratio at the London clearing banks of 33.7 per cent last month, liquidity is comfortable without leaving too much in hand at this time of year. The recent build-up of investment portfolios provides some leeway. At 16.3 per cent of deposits the average ratio here compares with a minimum of 13.9 per cent in July, 1961—to which it had been reduced from 33 per cent in 1958. The advances ratio is now just under 47 per cent, two points under the July peak last year and comparing with a mere 30 per cent in 1958 and less before. Scope for switching from investments to advances now may be perhaps three points on the ratios, which would bring advances to hard on 50 per cent, and investments a shade below their mid-1961 low point. Many bankers would resist going beyond that. A switch of this order would release some £225 million in advances. But if, as would be likely, the authorities again helped the banks in making this switch, by buying their investments from them, the scope for advances would be increased by an additional factor—the extra Treasury bills pumped into the system to finance the authorities' purchases of gilt-edged from the banks. The bill issue is also likely to be increased by next year's expected revival of the Public Works Loan Board. And there is, finally, the remaining £75 million or so in special deposits, which the authorities would probably think it right to release before they started buying the banks' gilt-edged. In sum, there could be scope for an expansion in advances of perhaps £400 million. One can easily think of numbers—this or some other. But there are signs that the authorities would accept an expansion on this scale as a reasonable one—which is not to say that they are yet certain that it will materialise.

LONDON CLEARING BANKS

		Advances		Investments	
		£ mn.	%	£ mn.	%
July 1958		1,910	29.9	2,193	32.9
July 1959		2,580	38.6	1,811	26.0
July 1960		3,236	46.3	1,340	18.5
July 1961		3,550	48.8	1,049	13.9
July 1962		3,465	47.1	1,214	15.9
Sept., 1962		3,428	46.9	1,235	16.3

Note.—Advances shown net of extraneous items, which are, however, included in ratios of deposits.



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BUSINESS NOTES

BALANCE OF PAYMENTS

High Interest Rates or High Surplus?

THE first half of 1962, a period in which buoyant world markets were receptive to Britain's exports while a running down of stocks at home was keeping down imports, almost certainly marked the zenith of the improvement in the balance of payments which has gathered pace since 1960, when almost precisely the opposite conditions at home and overseas temporarily produced a large basic deficit. This year's further improvement in visible trade—the gap between exports and imports on a true payments basis narrowed from £115 million to £16 million between the first half of 1961 and 1962—was not continued in July and August; the trade returns due next week will help to show whether this was a momentary pause or a change of trend. But the improvement in the current balance as a whole, from a deficit of £60 million in the first half of 1961 to a surplus of £96 million a year later, also reflected a strong recovery of invisible income. These broad trends were shown in the quarterly figures discussed in these columns three weeks ago. Now the detailed semi annual white paper on the balance of payments* shows that the most important contribution here came from a long awaited recovery in overseas earnings of oil companies—these being far the most important constituent of "other credits" in investment income, which rose from £149 million to £196 million between the two half years.

CAPITAL EXPORTS OFFSET (£ million)

	1960	1961	1961		1962
			Jan.-June	July-Dec.	Jan.-June
Private Investment					
Abroad (net of disinvestment):—					
Direct*	-247	-218	-127	-91	-110
Other	-65	-120	-73	-47	-60
Total	-312	-338	-200	-138	-170
In Britain (net of disinvestment):—					
Direct	+135	+233	+168	+65	+73
Other	+86	+173	+16	+157	+83
Total	+221	+406	+184	+222	+156
Private investment (net)	-91	+68	-16	+84	-14

* Excluding oil and insurance.

On the capital account, the white paper also shows that despite the falling off in inward portfolio investment in the first half of this year, the balance of private investment was still only just on the debit side—actually a little better than in the first half of 1961 when the net debit of £16 million was kept down by the special inflow of £131 million for Ford. But in the second quarter

* Cmnd 1837. 2s. 6d.

of this year the inflow of portfolio investment had already stopped and the capital account was back in the red. The Treasury seems to see this as restoring the pattern to which it was accustomed before high interest rates began to pull in long term as well as short term funds in mid-1960. In fact the big swing in the balance of long term capital under the influence of high interest rates provides one of the few really successful examples of Britain's balance of payments responding to official policy; and if this support were now to be dropped the Treasury would logically be bound to fall back on hopes of a current payments surplus of a size that proved impossible to reach in the past and will certainly be no easier in Britain's first years inside the common market.

There are some signs that the responsible officials in the Treasury may now be coming round to a recognition of this constructive role for interest rates as an offset for Britain's gross capital exports; but other elements in Whitehall, which some say include the National Economic Development Council, maintain their natural predilection for low interest rates as a stimulant to investment. If Ned does prove to have come down on this side—its first global assessment is to be considered by the Council next Wednesday—then it will be interesting to see how it squares the external problem.

IN THE MARKETS

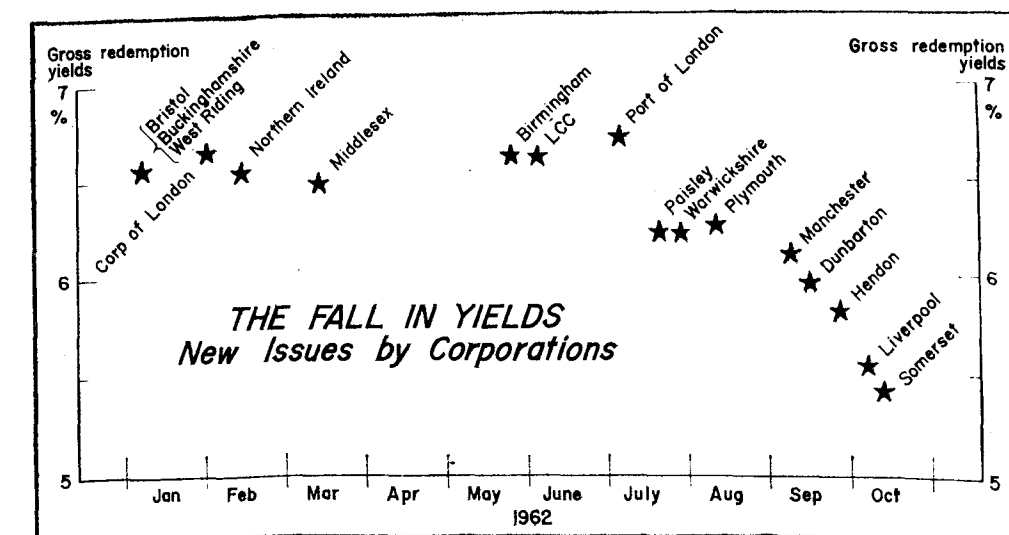
New Tactics in Gilt-edged?

THE long rise in the gilt-edged market was checked and partly reversed at the beginning of this week; but the

market's new found resilience was quickly reflected in a recovery on Wednesday and Thursday, which in many cases made good the earlier losses. This week's new issue of £7 million for Somerset, with a coupon reduced by a second $\frac{1}{2}$ per cent within a month to 5 per cent, was nevertheless oversubscribed, by about a half. The check to gilt-edged seems to have had little to do with either the general economic outlook (which has not changed) or the effect of the capital gains tax now that six months have passed since the first operative day, enabling profits to be taken tax free: for how many people are supposed to have chosen to buy on that first day? The check can be explained much more easily, first by the very rapid pace of the earlier advance, especially in the medium dates, which had carried with it some open bull speculation and had reduced yields sufficiently to have a marginal effect on income comparisons with equities (or the yield gap).

Secondly, one must not overlook the huge scale at which the authorities have been feeding the gilt-edged market. Apart from the now regular weekly corporation loan, the market last week genuinely subscribed £100 million to the government issue of 4 per cent Treasury 1965s. The setback in prices at the beginning of this week therefore reflects first an element of sheer exhaustion and secondly a correction of some over-extended positions. The medium dated stocks were affected also by a slight change in the government broker's tactics. The authorities have taken advantage of the lull in the market to push up the price of the long tap stock (2008-12), by $\frac{1}{8}$ on Wednesday and again by $\frac{1}{4}$ on Thursday.

By doing this at a time that the market as a whole is pausing, they have succeeded in narrowing the gap between gross redemption yields on this stock and the rest—at under $5\frac{1}{2}$ per cent this is now 6s. rather



than 8s. above the yield on 1982-84s. But the truly medium dates, in the early seventies, remain the strongest section of the market, buoyed up by the support not only from the banks but also from other institutional and private investors who, despite the sacrifice in yield and despite the new investment climate, still prefer to hedge their bet with a ten-year bond rather than an irredeemable or a forty year eternity.

Equity Mirror

THE advance in equity prices which took place before Mr Maudling spoke at the Mansion House ten days ago was based on nothing more than hope and though it was maintained for a couple of days after the Chancellor spoke, it petered out, since the measures he put forward were not radical enough. There are too many unknowns about—the future strength or otherwise of the American and British economies and the outcome of the common market negotiations among them—for investors to formulate any confident short term view of the market. Those interested in the long term can still pin their faith on high quality management, picking their way through the good, bad and indifferent in the now well-mixed bag of company results; but they are not willing to pay fancy prices for the popular stocks of yesterday (where the yields are still thin) and are looking for dividend yields of between $4\frac{1}{2}$ and $5\frac{1}{2}$ per cent. Thus, when the gilt-edged market was shaken by a temporary spasm of nerves, it was not surprising that the nervousness communicated itself to equities, which took a tumble at the beginning of the week. Some shares were also affected by anticipation of tax selling to establish losses (which can be carried forward to set against capital gains) before the end of the six months' period. Equities did not steady themselves until the gilt-edged market had recovered its poise. The end-result of these movements was that over the week to Wednesday's close *The Economist* indicator was practically unchanged at 334.2 and the *Financial Times* index, having dipped to 275.8 on Tuesday, was slightly down on the week at 278.0.

There has been no movement in Wall Street or on the Continental bourses sufficiently strong either to give heart to the British market or to explain the rise in the premium on investment dollars, to $4\frac{1}{2}$ per cent. Here, the explanation seems to be that the pool has been drained slightly by the use of investment dollars for direct, as opposed to portfolio, investment and fresh demands for them have pushed up their price.

One significant aspect of this year's markets is the success with which unit trust sales have stood up to all the doubts and uncertainties. Helped by two block offers, net investment in new units in September amounted to £3.5 million, against £1.5 million in August. Net investment in the year to end-September amounted to an impres-

sive £28.6 million, against £3.2 million in the previous twelve months. Over these periods, purchases by unit holders rose from £18.3 million to £39.0 million while sales by them fell from £15.1 to £10.4 million. Clearly a fall in the markets and hence the

GERMANY

Dr A and the Budget

Düsseldorf

THE measures of stabilisation for the German economy that Dr Adenauer announced this week are largely promises of future action: only restraint on the building boom is being exerted immediately. The specially generous write-off provisions for speculative builders are to be suspended (though houses built for owner-occupiers will not be affected); and government subsidies for building local authority housing are to be reduced, for a time, by 20 per cent. The other measures are only vaguely outlined. Anti-cartel legislation is to be "tightened up"; since the Federal Republic already has what could in theory be the most stringent laws of this kind in Europe but does not enforce them very strongly, this could be a matter of administration rather than legislation. Retail price maintenance might be partially abolished; and state backing is to be given to consumer product testing. If the unions and employers do not reach "sensible" wage agreements rather than inflationary ones, the German government will think (again) of "new patterns of negotiating wages and conditions." These are vague; but the suggestion that the German turnover tax might be revised, where it seems to be penalising export industries such as steel, shipbuilding and motors, could be more important.

In the budget itself, the draft of which has now emerged from the Cabinet, there is to be no rigid anti-cyclical financial policy and no rigorous credit restriction. But at any rate Dr Starke, the minister of finance, who secured the support of Dr Erhard and Herr Blessing, president of the Bundesbank, in the famous meeting on the Tegernsee, has succeeded in establishing the principle that currency stability is a political object of primary importance and that the government, before all, has to give an example of restraint.

However, the new budget is to balance at the record sum of DM 56,800 million (about £5,000 million)—which is DM 2,800 million more than the budget for 1962. This is a rise of about 5 per cent compared with an increase in the national product of $3\frac{1}{2}$ to 4 per cent; nor is it much compared with increased demands in such fields as defence, development aid, social adjustments, and coal subsidies—DM 5,400 million in all. So DM 2,600 million has to be spared in other fields, and in view of the slow depreciation of the D-Mark this was certainly no easy performance.

possibility of a capital loss has made unit holders more reluctant to sell; but the figures also suggest that they see some advantages in risk diversification and in equity averaging through regular purchases of units.

On the income side, there are several uncertain factors, above all the DM 2,000 million that is to come in through an increase of the Federal Government's share in the revenue of income tax and company tax. So far, the *Land* governments have stubbornly resisted all demands to go beyond the modest concessions they made this year. Another uncertain factor is the DM 1,800 million that Dr Starke hopes to borrow from the capital market. This sum is too modest to put a real squeeze on the private capital market. A 6 per cent loan announced on Tuesday was for only DM 250 million. The government's popularity on the German capital market has never been very high, and it does not possess any legal means to gain precedence over private loan issues which in the course of this year have closely followed each other. Whether Dr Starke can keep his promise of no tax increases is therefore still uncertain. What is certain, however, is that he does not want to use the instrument of taxation to damp a prosperity which has in any case shown signs of flagging.

A Warning Signal

THE apprehension about lagging prosperity has again been expressed in the monthly review of the Bundesbank, published a few days ago. According to the Bundesbank the growth in the national product slowed down in the first half of 1962: the increase at current prices was 8 per cent, compared with 9.3 per cent in the second half of 1961, but allowing for price rises the increase was only 3.5 per cent compared with 5.3 per cent in the second half of 1961. This slower rate of growth was due to a reduction in actual working hours by 2.8 per cent. The further increase in the numbers of the working population, mostly provided by foreign labour, was more than offset by the steady reduction in working time.

Even more serious is the changing pattern of demand. A greater share has gone into consumption, a smaller share into investment and into export. The absolute growth of investment has been smaller, and the surplus of visible and invisible exports over imports was smaller also. In contrast, private incomes have risen by 9.5 per cent compared with 1961, but private savings have diminished.

The whole picture revealed by the

Continued on page 169

GROUP PENSIONS

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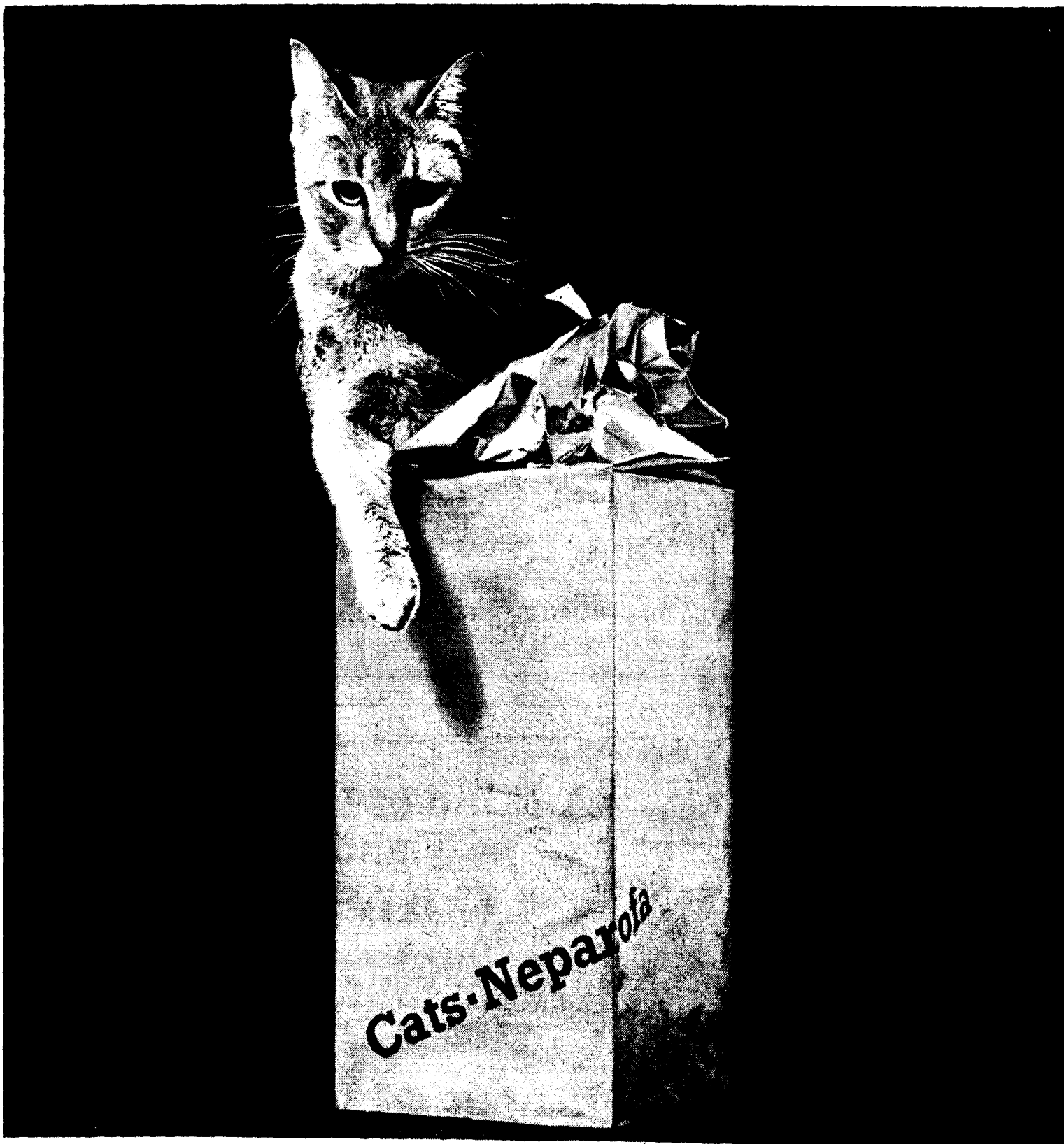
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FLEXIBLE PACKAGING MATERIALS

Continued from page 166

Bundesbank review can give little comfort to the triumvirate Erhard-Starke-Blessing. It shows that in Germany as well as elsewhere the tendency to live better, to work less and to save less has increasingly been asserting itself, with all its uncertain consequences for the maintenance of capital investment and, in the long run, for the chances of maintaining prosperity at the present high level.

THE ECONOMY

Sentiments Unchanged

NOTHING in the latest survey of business opinion taken by the Federation of British Industries smacks of expansion. As the federation itself puts it: "the overall situation emerging from these results is little different from that reported in June." Out of the 697 firms responding to the questionnaire, exactly the same proportion as before, 19 per cent, felt more optimistic about the general business situation than they did four months ago. Practically as many reported a fall in output as reported a rise, and 66 per cent of them said they are now working below capacity compared with the 64 per cent who gave the same answer four months ago. Only one in ten, however, now mentions shortage of skilled labour as a limiting factor compared with one in seven in June.

In some respects this latest sounding of business opinion is less cheerful. Despite optimism in June about the future rate of new orders, a majority of firms (and a slightly bigger majority) has again reported a downward trend. On the export side, the general upward movement appears to be slackening a little, the upward balance of

BALANCE OF UPS AND DOWNS*

	Past four months to:—			
	Oct. 1961	Feb. 1962	June 1962	Oct. 1962
Level of output.....	+ 7	- 4	Nil	+
Level of export deliveries.....	+ 7	+ 10	+ 17	+ 12
Length of order books.....	- 18	- 27	- 19	- 23
Total.....	- 9	- 14	- 6	- 8
Rate of new orders:.....	- 5	+ 2	+ 10	+ 6
Exports.....	+ 6	+ 16	+ 6	+ 4
Stocks of finished goods.....				

* The excess (+) or shortfall (-) on the percentage of those answering "Up" over those answering "Down."

opinion being less with regard to both the level of deliveries and the rate of new orders. Prospects in both the Common Market and EFTA countries seem to be still improving. But the balance of business opinion that thinks so is smaller than last time; and for the first time since June, 1960, when the federation introduced the export part of its inquiry, a balance of firms report declining prospects in Latin America.

These returns were made before Mr Maudling announced his further dose of weak stimulants. The moves on postwar credits and public investment, however, will

not remove the federation's concern about "the further indications of a continuing decline in manufacturing industry." About 45 per cent of firms expect to authorise less expenditure on buildings and plant and machinery in the next twelve months, against the 15 to 20 per cent who expect to authorise more.

Passing on Costs

SINCE 1954 wage rates in Britain have increased by 38 per cent (and earnings by 50 per cent), while the prices of materials, after a surge in 1955-57, have come back almost to 1954 levels. The Purchasing Officers Association, looking at these figures and considering their own professional activity, which is to buy things economically for industry, recently constructed from the statistics an "estimated price curve." This was based on the assumption that of the cost of a manufactured article 40 per cent represents labour cost, 40 per cent material, and the rest overheads and profits; and that the effects of changes in wages and materials prices were passed on to the consumer direct without any change in profit or overheads. The association thus came up with a notional curve of how prices, in such circumstances, would have behaved. On comparing this with the actual curve of prices of manufactured goods, it found that the two coincided very closely. How prices would have behaved by passing changes in direct costs straight on to the consumer, that is to say, was just about how the prices had behaved.

"What happened to productivity?" asked Mr J. M. Grammer of the National Coal Board, president of the association, talking about this to purchasing officers this week. Output and employment figures suggested that during the years since 1954, productivity in British manufacturing had gone up by 15 per cent. Some of this will have gone to profits, some to overheads, and labour has had improvements in conditions over and above increases in wage rates. "But one thing is certain: this average increase in productivity for the country does not seem to have gone to help the price position for the eventual customer."

Mr Grammer was convinced that before long prices of materials used in manufacturing would rise again—and not convinced that there was any cushion in present profit margins by which this further increase could be absorbed. His own professional concern was not with detailed ways of cutting costs, but with the purchasing officers' job of preventing rises in costs from being passed on, simply by harder bargaining over the price of the manufactured product. Buyers as well as manufacturers, he said, should be getting together with their opposite numbers inside Europe. Expert industrial buyers spend perhaps £10,000 million a year, he said; they ought to be in a position to insist that some of the cost savings being achieved are "shared with the customer." The question here, however, is "Who whom?" Do all the enter-

prises on whose behalf he and his colleagues buy, in their turn, pass on savings in these intermediate prices to the ultimate customer?

AIR FARES

Up

THE international airlines closeted in Chandler, Arizona since late September have now tentatively agreed the level of air fares for the next two years, although they are still haggling over points of detail. They have settled in principle for a five per cent rise in fares across the world as a whole, with the possibility of much bigger increases still to be agreed in certain parts of it, notably Europe. Few things in aviation are as simple as they sound; the way the airlines intend to get their increase is not by a flat rise across the board but by halving the present 10 per cent discount on return tickets. Thus a return ticket across the North Atlantic which has stood for the past three years at £173 13s for a jet flight, economy class, will go up by nearly £10. The one-way single fare, however, will stay at £96 6s.

Many airlines went to Arizona wanting a much bigger increase than this; BOAC originally asked for a 10 per cent increase although its public utterances suggested that the corporation was ready to settle for five, and Air France would have liked a rise of 20 per cent. Only the Dutch and the Germans actually suggested fare reductions; the majority were in favour of holding the line. As a sweetener for the low fare lobby, the airlines seem likely to extend the present tremendously popular 17-day £125 North Atlantic winter excursion ticket in two ways. One is to extend the period when it can be sold. This now runs from October to March and the period may well be stretched by another four weeks to the end of April. The other is to extend the ticket's period of validity from 17 days to three weeks. But there is a strong suggestion that the price of this concession should be a new ruling making the ticket ineffective for stays of less than 14 days. This, presumably is aimed at discouraging what is virtually a mass switch of business traffic during the winter from the normal fares to these special rates, since few business visitors want to spend longer than 17 days away from base. It is doubtful how many of them want to spend as long as 14 days; will the airlines never learn that these footling restrictions are no way to encourage mass travel in the air, without which they will be out of business?

Some even more fiddling changes seem likely in first class fares, a moribund form of air travel, with a strong move towards ending the serving of free drinks (except on services to Portugal, a civilised country where the law requires free wine for diners). The most important issue now is not over

passenger but over freight rates. Air freight has rocketed in the past year under the stimulus of a new, low, and simple scale of charges which gave considerable and steadily rising discounts for really big loads of one ton and upwards. There are signs that some airlines regret this, and are fighting strongly to end these concessions for the biggest loads and to re-design a scale of charges that will encourage much smaller ones, more suitable for the cargo holds of passenger jets (which need at least a ton of freight on every flight to break even).

EUROPEAN ENERGY

Room for the Coal Board?

PRESUMING that Britain joins the European Coal-Steel Community in Luxembourg, some of the powers of the Iron and Steel Board here will have to be abandoned, whether or not the Government decides to keep on the board itself. (Its last indication was that it may.) What about the powers and responsibilities of the National Coal Board? When questioned on such points in the Commons, Government spokesmen have always replied with absolute assurance that entry into the European club would make no difference whatever to the way Britain runs its nationalised industries. When appearing as a candidate for entry before the club committee, however, this was one of the questions that Mr Heath himself asked the Council of Ministers of ECSC; and one of the issues on which last week they gave Britain their preliminary answers.

Under Article 83 of the Treaty of Paris which governs ECSC, the Council of Ministers agreed, the system of ownership of any country's mining industry was not to be prejudiced; Britain's, after all, would not be the only nationalised coalmines in the community. But the treaty also opposes the use of a dominant position to ends contrary to the objectives of ECSC, and the number and size of mines grouped under the Coal Board do, the ministers feel, raise problems of a special nature. (A similar question has been raised in the European parliament, by a German deputy, about the nationalisation of Italian electricity.) Other ECSC producers, understandably, are uneasy about an industry that would constitute a single management and joint selling organisation for by far the largest coal industry in the enlarged community. They are uncertain whether the system of price lists for individual mines, and publication of transport charges, could be applied fairly within so large an organisation—though the National Coal Board is confident that it can fit their rules.

On the question of publishing transport charges, about which Mr Heath affected to feel satisfied on his return to London, he sounds to have got little change out of the ECSC countries. British suggestions that the transport policy to which British Railways should adhere for coal and steel

BUSINESS NOTES

transport might be the one that the Common Market Commission is trying to devise for European transport as a whole were firmly turned down. Moreover, ECSC wants maritime freight rates, which would affect all coal and steel trade between Britain and the other countries concerned, to be brought into the same system of published pricing.

There thus remain a certain number of issues on joining ECSC about which some

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knotty argument may still have to come; but neither side is in doubt that these are negotiable. The Council mentioned that the Treaty of Paris itself might be in process of revision during these negotiations with the British, and that possible changes in it would have to be taken into account. But the subsequent confused argument over energy policy for Europe suggested that on this account, at least, revision of the Treaty will be in no hurry.

PROFITS AND DIVIDENDS

What Sort of Corner?

ABOUT four-fifths of the 480 companies reporting in the September quarter made up their accounts on or after March 31st. Their results, analysed in detail on pages 190 and 191, might be said to be encouraging were it not for the unpleasant awareness of unused capacity in the capital goods industries which will be reflected, for instance, in the profits of the steelmakers when they appear later this year. The rise of nearly 3 per cent in the trading profits of the 480 companies as a whole reflects higher profits in such statistically weighty groups as engineering and electrical manufacturing.

This compares favourably with the fall in profits recorded in the three preceding quarters. But joy based on blithe forecasts that profits are turning the corner should be confined. First, the advance in electrical manufacturing profits owes a great deal to the inclusion of the results of General Electric and other nuclear power contractors, which are just tottering back on their feet after a number of shaky years, and also of those of such companies as Dimplex and Berry's Electric Magicool, which after several years of remarkable growth may find the going harder in the future. Secondly, the rise in engineering profits owes a good

deal to companies which benefited from the last dying phase of the steel investment programme. Thirdly, these advances have to be set against lower profits in such industries as iron and steel and textiles and practically stationary profits in miscellaneous manufacturing; indeed, the real crumb of comfort for investors in these results is that the profits of industries closely in touch with consumers continue to hold up well. Finally, the rise in trading profits has not been reflected in equity earnings or in an improvement in rates of return on capital employed. Higher depreciation charges and the increase in profits tax have reduced net equity earnings; these now cover slightly bigger dividends 1.8 times, against twice. These companies, moreover, have been investing more in fixed and working capital—net fixed assets have risen by over £160 million and stocks and debtors by over £90 million—so that the gross return on capital employed has fallen from 15.4 to 14.1 per cent. Such results and a patchy outlook for future profits do not wholly support the sentiment that equities in London are undervalued. It seems more likely that earnings prospects are in some cases still overvalued.

PROFITS AND RETURNS

480 companies reporting July–September, 1962	Change in	Gross return on net assets		Net return on net equity assets	
	trading profit	Previous	Latest	Previous	Latest
	%	year %	year %	year %	year %
Breweries, etc.	+ 6.7	19.5	15.5	11.3	8.5
Building	+ 11.7	16.1	16.6	8.0	8.5
Paper and Packaging	– 4.8	21.3	16.6	14.7	9.6
Chemicals and Paint	+ 10.8	16.9	16.5	9.7	9.1
Clothing and Footwear	+ 8.5	23.9	23.3	13.5	13.1
Electrical manufacturing	+ 5.9	12.1	11.1	6.5	6.3
Engineering	+ 3.1	12.5	12.7	6.2	6.1
Entertainment	—	19.6	17.6	14.3	12.7
Property	+ 15.3	11.1	11.0	6.3	6.1
Food and Confectionery	+ 5.8	13.5	12.7	8.1	7.3
Iron and Steel	– 24.2	12.8	6.8	7.8	2.5
Motors, etc.	+ 11.0	20.0	19.1	11.2	10.6
Newspapers and Printing	+ 6.1	17.5	16.6	10.0	9.1
Oil	+ 23.9	17.7	19.6	8.1	9.5
Shipbuilding	– 2.2	12.1	10.6	6.7	5.1
Shipping	– 22.9	3.1	0.5	2.5	0.1
Shops and Stores	+ 3.3	20.3	19.5	11.7	10.9
Cotton	– 37.1	12.8	5.6	7.7	1.9
Silk, Rayon and other Textiles	...	16.0	13.9	9.9	7.5
Wool	– 4.6	19.0	17.2	10.4	8.6
Miscellaneous manufacturing	+ 0.9	16.6	15.9	9.6	8.7
Miscellaneous others	+ 2.0	13.7	12.8	7.5	7.2
All groups	+ 2.9	15.4	14.1	8.8	7.7

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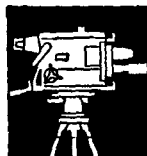
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Uncommon Policy

JUST how completely or finally the same Council of Ministers, having answered the British in one morning, then proceeded in a two-hour afternoon session to come out against the proposed common energy policy for Europe, is now a matter of argument in hindsight. In Paris, the next morning, the press perhaps expressed the mood of the French government in describing the policy on which MM. Lapie and Marjolin, of ECSC and EEC, had spent so much ingenuity, as "in the wastepaper basket." By this week, the civil servants in Luxembourg and Brussels were composed enough to argue that at most the policy was on the shelf. But certainly all the hopes about rapid progress towards agreement on a common energy policy (or a common market in energy) for Europe, which have been high since the spring, were down in the dumps again.

The reactions to the Lapie-Marjolin policy of "cheap energy from secure sources" which ministers of the individual countries expressed at last week's meeting, were not that much more sour than one might have expected; France's was the sourest, as was to be expected. But the lack of voices in support of the energy policy—save Italy's, whose definition of cheap

energy goes to the logical extreme of Soviet oil—was surprising. The High Authority of ECSC, which had gone as far as preparing a draft revision of the Treaty of Paris to accommodate certain proposals such as the subsidies for coal contained in the energy policy memorandum, may then have made a mistake in tactics. Its president, Signor Malvestiti, intervened to ask the ministers to make a decision quickly about this revision, adding that anyway the High Authority could not go on operating some present relaxations of Treaty rules without it.

The ministers reacted vehemently to being put in their place by a supra-national official, and finally the meeting broke up in confusion, with some vague instructions to the inter-executive commission that put up the draft policy to look again with government officials at various elements of energy policy before putting it up to the Ministers again. This policy is clearly not going to be adopted as it is, though even on the shelf it will exert some influence on further discussions, as indeed has M. Lapie's earlier proposal of a "guidance price." But any early progress towards the elements of a common energy policy seems likely to be achieved at best piecemeal—and perhaps for a time by the different communities in their own fields rather than together?

STEEL

More Confidence?

STEELMAKERS resumed output after the holidays at about the same rate, allowing for seasonal fluctuations, as in June; not quite up to the May level, that is, but better than throughout the twelve months before then. The actual level in September, 421,800 ingot tons a week, was 5 per cent more than a year before, but 12 per cent lower than in September 1960. In spite of the rise in output, the utilisation of capacity was about the same as a year before, at 76½ per cent: capacity has risen as much as production. And actual consumption of steel is unlikely to have changed nearly as much as output figures would suggest. There was heavy de-stocking about this time last year; today consumers are still

probably running down stocks, but by much less.

Britain has managed to hold its steel exports up fairly well this year, in spite of sharp price competition abroad. Indeed, British exports into Europe have caused some producers in the common market to complain about price-cutting in answer to which the ECSC High Authority reasonably pointed out that they use double-pricing themselves to get exports. Total exports this year have been only slightly below the record levels of 1961. Britain is exporting just about as much steel (some 240,000 tons of finished steel a month) as in 1960; but our imports, at 52,000 tons a month, have been cut to half what they were then.

STEEL PRODUCTION BY QUARTERS
(000 tons)

	1960	1961	Fall per cent in 1961	1962	Fall per cent in 1962
Crude Steel —					
First quarter	6,240	6,210	12	5,220	16
Second quarter	6,146	6,007	2	5,405	10
Third quarter	5,604	4,813	14	4,751	11
Fourth quarter	6,315	5,056	20	...	...
Total year	24,305	22,086	9	...	...

GAS

Outlook Sanguine

IN common with the other nationalised industries, the gas industry has been set certain financial objectives by the Government: over a five year period starting with the current year, it has to earn an average gross return on net assets of 10 per cent and a total surplus after paying for the five years of £54 million. The report for the year ending March 31st shows how far the industry will have to improve itself if it is to meet them; last year the surplus was £3.3 million, only about a third of the target figure. Even so, it represents an advance over past years: £1.3 million more than the year before with depreciation provisions £1.3 million up too. Every area gas board, moreover, showed a surplus, where the year before four showed deficits—one for nearly half a million pounds.

These advances are the result of a process of streamlining: more attempts are being made to sell gas; production is being concentrated in fewer, larger, more efficient plants; and administration costs are being cut wherever possible. The industry hopes to be entirely self-financing within a few years—perhaps by 1966, if Ned's 4 per cent rate of growth is achieved. (The proportion of capital provided internally has risen from half to more than 80 per cent in four years.) Sir Henry Jones, chairman of the Gas Council, said that the extra revenue would come from reduced costs and the benefits, not yet apparent, of increased tariffs. He did not think that gas prices will be further increased for some years.

Sales of gas rose by nearly 3 per cent over the previous year to 2.7 billion therms. Most of the increase, however, came from domestic users (up by 4 per cent), driven to their fires by colder weather. Industrial users took only 0.6 per cent more than in the year before. Expansion of the market for gas is now looked for mainly in the domestic field—in contrast to ideas a few years ago. Newly-designed gas fires have sold well; sales of gas-fired central heating plants increased by a half; and it is unlikely that the convenience of cooking with gas will be surpassed. But in the end, this market may be the industry's chief limitation.

ICE CREAM

Triple Cornet

THE merger of Lyons' ice cream interests with Neilson and Eldorado makes sense in an industry with high distribution costs and more slack factory capacity this year than it cares to talk about. Big manufacturers with expensive plant and fleets of refrigerated vans have more to lose by a bad summer: this year's sales may be 10 per

cent lower than the £70 million estimated for 1961. The new combine is thought to represent nearly a third of total sales, putting it in the same bracket as Walls.

Rationalisation of resources is the reason given for the merger; details of the arrangements and the price paid by Lyons are still undisclosed. Brand names will remain unaltered but this is not inconsistent with reorganising the location of production and the distribution of different categories of ice cream. Some cutting down of varieties can be expected, since the new Lyons subsidiary will have over 50 main lines under its wing.

The Eldorado link will reinforce Lyons' dominance of the cinema trade, and add to its catering outlets a contract with Butlin's holiday camps. The new group has its factories mainly situated in and around London, with two at Liverpool and one in Cornwall, evidence of the concentration of sales to holidaymakers. If, as the industry hopes, more and more ice cream will be sold for consumption in the home, some resiting of production may prove necessary. Walls' largest factory, opened earlier this year, is at Gloucester.

ATOMIC ENERGY

The AEA Opens Shop

THE Atomic Energy Authority's decision to close roughly two thirds of its Capenhurst diffusion plant because of falling military demand for uranium warheads—for this in effect is what the dismissal of a further 1,500 workers in addition to the 500 already under the axe will mean—coincides with the start of its first-ever advertising campaign to get work for its production plants, including Capenhurst, where capacity was put in for combined military and nuclear power crash programmes that never materialised. The AEA is moving a great deal more slowly and timidly in this direction than some of its members—and its critics—would like, but it is moving. There are signs that the authority has faced up to the impossibility of disposing of its uranium stocks at anything approaching the price paid for them, and has mentally written them down from their original price of \$12 a pound to the price agreed recently with the Canadians for a further 12,000 tons, namely \$5 a pound. This means that in its fight for foreign business, the authority's production group is able to quote prices of about £14,000 a ton for manufactured, natural uranium fuel for power stations, a price that won them a contract in Italy in the face of strong competition from other countries. So far, Sir Christopher Hinton has failed to wring the same concession from the authority for fuel supplied to the Central Electricity Generating Board, but he must be trying hard. For the uranium content at present accounts for roughly half the price he pays for manufactured fuel, around £17,500 a ton.

The authority is also beginning to pay considerable attention to the way its production plants are planned and costed. In order to get long production runs, and an ultimate price, some day, of £10,000 a ton for fuel, discounts of £1,000 a ton are offered to customers who order "standard" fuel elements—which in effect are the same as those used in the Bradwell power station, rather than specifying their own special design. Industry does not like being forced into this strait jacket, since fuel design is one of the ways of improving a reactor's performance, but a discount of this size spread over a fuel charge of several hundred tons is too big to ignore. The authority has in past years received more kicks than carrots, but this is one field where it is showing a most commendable enterprise that can yield dividends not only to the AEA itself, but to nuclear power in general, since the services that it is now advertising make up a significant part of its costs.

HOVERCRAFT

Rough Summer

HOVERCRAFT did not find everything smooth going during their experimental—publicity-seeking is the ruder description—services this summer but the result has been the learning of some salutary lessons. The weather was no kinder to them than to anyone else, preventing the service run by British United Airways with the Vickers VA-3 from operating on 14 of the 57 days for which it was scheduled to make the crossing from Hoyalake to Rhyl. More serious as indication of the need for further development before hovercraft can be put into commercial service is that 18 days were lost because of mechanical trouble, so that the service actually operated on fewer than half the days that it should have done. Sensitivity to weather is something to be expected with a small machine like the VA-3, which can be overcome once bigger machines are developed; but the troubles with its engines raise doubts about the suitability of aircraft units for use in what is virtually a speedboat.

The VA-3 uses four Blackburn Turbo 603 engines, a small and simple gas turbine that should be reliable, if not particularly economical of fuel. The chief reason for using such an engine is that it is light; and perhaps the fact that the designers of hovercraft are aircraft men has given them a leaning towards aero engines. But these engines are themselves relatively new to regular service in Britain, so the operators were gaining experience of them as well as hovercraft—and under particularly arduous conditions. The Denny sidewall type hovercraft uses diesel engines, appropriate to a machine that more closely resembles a boat in concept, and this might be a more suitable unit for the bigger machines to come.

The Saunders-Roe hovercraft that

operated a limited service across the Solent seems to have suffered much the same troubles as the Vickers machine, though the less ambitious nature of the service it was offering made the results less embarrassing. Though these lessons from the first regular operations of hovercraft may seem disappointing, and must postpone the day when orders will appear, they were only to have been expected from a novel means of transport. More development, with more emphasis on marine experience, seems to be the next stage.

INTERNATIONAL BANKING

Schroders in Paris

CITY people will still argue generally that the best way to do more financial business in Europe is to make friends there rather than to branch out on one's own—which is more likely to make enemies. But direct representation is not being universally rejected. Perhaps half a dozen leading stockbrokers are now seriously considering taking advantage of their new freedom to open branches abroad. And this week J. Henry Schroder Wagg has opened a representative office in Paris, jointly with J. Henry Schroder Banking Corporation. The office will be in the charge of Mr V. Lada Mocarski, who has been closely involved in the bank's European affairs. The Schroder group already has offices in Frankfurt and Zurich, and it will be no stranger to Paris, as it had an office there between the wars. But, understandably enough in view of the cool reception which is generally given to foreign banks in continental centres, the Schroder group is confining itself to a representative office, which will not itself conduct banking business.

At the same time another London merchant bank, M. Samuel, has improved the London market in the shares of Banque de Paris et des Pays-Bas, by issuing deposit receipts for its shares. These consist of units of one twentieth of the bearer shares of a nominal 100 new francs, or 37s. at the current price compared with £37. Dealings started on Thursday. The shares were introduced to London in June, 1961 at a price of £44½; the fall of 15 per cent compares with a net rise in British bank shares in this period, but it is a good deal less extensive than the fall in the French bourse as a whole.

DOCUMENTARY CREDITS

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throughout the world, including the United States, have in the past decade handled documentary credits according to a code laid down by the International Chamber of Commerce in 1951. But London banks and banks in the Commonwealth which follow British banking practice closely have never adopted this code. Until last year British banks have been merely observers at the meetings of committees responsible for the ICC code. In their view, which was respected by foreign bankers, the flexible British practice gave the customer a better opportunity of obtaining the particular service he needed, and the practice was so well understood that it did not cause confusion. It was also claimed that the international code was too imprecise.

Last autumn, however, the British banks agreed to play a full part in the revision of the international code decided upon in 1958. English, Scottish and Irish banks, the eastern exchange banks and banks operating in other parts of the Commonwealth have joined the discussions, so that if a satisfactory code could be negotiated, it was likely to be accepted in most countries of the free world. The principal reason for the change in the British attitude is the emergence of new banks in developing countries which need a published code for guidance. The revised code, which will be submitted to the Council of the ICC for approval, meets the demand by British bankers for greater precision. Uniform practice for dealing with documentary credits is therefore likely to be adopted soon.

TRAINING ARCHITECTS

Call for Realism

THE architectural profession is taking its self-criticism seriously. Among the shortcomings revealed by the RIBA enquiry into architects' offices, published in April, was a serious lack of practical skill, or even interest, among young school-trained architects. Now the RIBA has adopted in principle the proposals made by Mrs Elizabeth Layton for the improvement of the practical training which, from this year, is to total two years instead of only one in addition to the five years of school training.

With this extra margin—which some may think is still too small when compared for

Appointments, Business and

Personal notices and other

Classified Advertisements

pages 183 and 192

instance with a young doctor's curriculum—there is scope for varying the content as well as the timing of the practical training. Mrs Layton's most important suggestions are that this should include work inside some other branches of the building industry—such as manufacturers, contractors and quantity surveyors, rather than simply in an architect's office, and that a useful part of this should take place before the final examination. Students should keep a log-book of their practical experience which would help examiners to make really certain that candidates have a reasonable grasp of working conditions, in place of the largely theoretical yet unrealistically complete ability to cope which a pass is at present supposed to imply. The schools should make much more effort to relate academic and practical training and could themselves pay more attention to teaching essential "tool" subjects such as cost control.

Architects are notoriously bad organisers of their own work, and training in basic office techniques should not be despised.

Mrs Layton also points out that even after the full seven years, including practical training, required for qualification, a young architect can hardly be fit to practise entirely on his own though at present he can and sometimes does. Some further period before qualification for individual practice would bring us more in line with other countries, such as the United States and Germany. These are not simply the household reforms of a single profession, but an important step towards breaking down some of the curtain walls between the different sections of the building industry. New techniques and materials must influence but not necessarily set the pace for changes in design; to make the most of all three designers must be able nowadays to talk to technicians in their own language.

CHURCH COMMISSIONERS

Mites and Millions

BY shrewd investment policy, the Church Commissioners, who provide over three-quarters of the clergy's total income, have added substantially to stipends in the last decade. An analysis made in November, 1961, showed that only one-third of all clergy now received from all sources less than £800 a year, net of rates and mortgage repayments; and, as a result of further allocations made by the Commissioners, stipends have been further increased by £100 per annum from April this year. The Commissioners do not intend to make any general additions to stipends in the coming year; instead they are concentrating on permanent improvement of the pensions of clergy widows. They are to pay £165,000 annually to increase the clergy widow's pension right from one-third to one-half of her husband's pension; and in addition they are allocating £550,000 from general reserve so that the Church of England Pensions Board can provide a minimum income for every widow from all sources of not less than £350 a year.

These decisions follow a further increase in the Commissioners' income—though less

sharp than in recent years—of £623,000 to £16,388,000 in the year to end-March. Just under £9 million was earned on stock exchange securities. The relatively small increase of £220,000 in portfolio income reflects reduced dividends on 33 of the 277 industrial holdings; higher dividends were paid on 95 industrial holdings and on 70 of the 125 investments trust, bank and property holdings. Falling stock market prices are reflected in the decline of £17 million to £187 million in the market value of the portfolio and the Commissioners kept their new purchases down to £1.2 million last year, divided between fixed interest stocks and equities. Rights issues absorbed more than the available money involving some sales of existing holdings (but not of Courtaulds). The Commissioners turned to Treasury bills and short-term local authority loans and invested £27½ million in bills and loans over the year to produce £438,000.

The spread of the Commissioners' assets is likely to change substantially in the next year or two for they are now extending in a new growth field—property development—

THE CHURCH'S PORTFOLIO*

	March 31, 1962			
	Book value†	Yield, per cent	Market value	Yield, per cent
Stock Exchange Investments —	£ mn.	£ s. d.	£ mn.	£ s. d.
Fixed Interest—	25.3	4 19 8	20.3	6 4 1
Gilt-edged	15.6	6 1 8	14.3	6 13 0
Debentures	5.8	6 6 2	5.1	7 4 1
Preference	46.7	5 10 4	39.7	6 9 10
Equities—	76.4	7 2 8	125.1	4 7 1
Commercial and Industrial	5.4	7 3 4	12.3	3 2 2
Investment Trust	5.0	6 16 11	10.1	3 7 8
Finance and Property	86.7	7 2 4	147.5	4 3 8
Stock Exchange Total	133.5	6 11 2	187.2	4 13 6
Shares in CEDIC	Nominal	Nominal	3.7	2 9 4
Property	69.7	6 3 7	80.0	5 6 7
Mortgages and Annuities	32.1	5 6 6	32.1	5 6 6
Total	235.3	6 5 7	303.0	4 17 9

* Excluding short-term loans. † At April, 1957 with subsequent additions at cost. ‡ Original cost, £67.5 million.

which, it is hoped, will prove as rewarding as their earlier switch from gilt-edged stocks to equities. The vehicle for the bulk of these property developments is the Church Estates Development and Improvement Company; this has 27 subsidiary companies, in which the Commissioners have total commitments of about £24 million, which are jointly controlled with leading property developers and builders. Some new blocks of flats and houses are being undertaken in London, but the main emphasis is still on developing commercial properties, which already yield about three-quarters of the Church's income from real estate. The Commissioners confined their earlier development to their own estates; now they are investing in outside developments.

With assets of over £300 million (and most of their property carried in the books at 1957 values) the Commissioners have a wide field of choice in raising £24 million over the next two years, without affecting the fund's income. To raise part of the sum they are stepping up their sales of properties let on long leases at fixed rents; they have sold 44 properties in London and the provinces this year for £3 million and 40 more properties with a much higher rent roll will come under the auctioneer's hammer in the next few months. The Commissioners also plan to sell about 65,000 acres of agricultural land which will still leave them with over 140,000 acres. After these sales about £10 million will still be needed for the property commitments and this will come from the sale of securities, posing the question whether the Commissioners will reduce their gilt-edged holdings further or undertake a more vigorous pruning of their equities.

FISONS

End of a Policy?

FISONS recently opened new extensions in Loughborough at the plant of its chemical subsidiary, Whiffens, including new laboratories and pilot plant facilities that will be available to other Fisons' subsidiaries. They also include a plant for making a new range of chemicals based on cyanuric acid. This marks the end of improvements to Whiffens, which have cost £500,000 over three years. Its range of chemical products has been drastically revised, allowing concentration on a few, specialist lines. Setbacks in the chemical industry over the last two years have shown the wisdom of this approach.

The completion of these extensions marks the beginning of a new existence for Whiffens; it also marks the end of Fisons' old policy of diversification. Even before the war Fisons recognised the dangers of dependence on agricultural chemicals. After the war the company attempted to build up a side to its business at least comparable in size to its fertiliser

interests. The most recent manifestations of that policy were the attempts to add to its food interests (Genatosan) by buying Crosse and Blackwell, and to its drug interests (Bengers) by buying British Drug Houses. Both attempts failed, and the recently-acquired food firm, Pickering and West, far from compensating for the abortive take-overs, has lost money. No moves outside agricultural chemicals have been made since last year, and it is clear that Fisons has now accepted the overwhelming predominance in the future of its agricultural side.

Although no plans have been announced, it is hard to see what alternative there is for Fisons to expanding its interests abroad. (It cannot expand in Britain indefinitely.) Even expansion abroad will require new initiatives since the present disposition of its foreign interests is not the best possible. Fisons has gone abroad where the tariffs led it, to what are now politically unstable Commonwealth countries and poor markets for fertilisers. It has no stake in the best markets: Western Europe, the USA and Japan, which together account for 80 per cent of the world market. It is therefore fair to assume that Fisons' next moves can be expected to correct this imbalance, certainly abroad; probably into Europe.

AIR ACCIDENTS

What Compensation?

THE compensation paid, under international agreement, by airlines to the families of those who die in air accidents is likely to be doubled soon from the ludicrously

low figure of £3,000 to the ungenerous one of £6,000. Twenty-six countries, including Britain, have now ratified the change and only another four signatures are needed before it takes effect: these are expected any day. The United States is not, however, one of the signatories, nor is it expected to be for the sensible and compassionate reason that a level of compensation which strikes airlines from undeveloped countries as placing an extravagantly high value on human life is wholly inadequate in American eyes (as indeed it is in British, for it seems to bear no relation to the probable earning capacity of many air passengers).

Nevertheless, it would be deeply embarrassing for the United States, not to say awkward for American airlines, to withdraw altogether from the Warsaw Convention under which these levels of compensation are agreed—as well as other important questions of an airline's legal liabilities towards its passengers (and their lost or damaged baggage) and towards other airlines. A correspondent in the United States writes that the State Department is likely to introduce a bill next year which will require all US international airlines to take out insurance cover to the tune of £18,000 per passenger, after which the United States could ratify the amended Warsaw convention with a clear conscience. This legislation would mark another step forward by obliging the airlines to tell passengers the maximum compensation they can expect—most of them fly today in blissful ignorance of the true meaning of the small type on their tickets. But American airlines are expected to fight the plan, since insurance already bulks high in their costs.

SHORTER NOTES

Final figures put out by the Board of Trade show that the rise in the volume of manufacturers' stocks and work in progress in the second quarter of the year was rather more significant than the provisional estimate had suggested. Allowing for seasonal factors, the increase was 0.2 per cent; this followed a fall of 1 per cent in the previous quarter. Final estimation puts the fall in the volume of manufacturing capital expenditure in the second quarter at 1 per cent.

★

A further cut in lending rates by the Public Works Loan Board from 6½ to 6¼ per cent at the end of last week still leaves them on the high side in relation to the market. On Wednesday the Agricultural Mortgage Corporation reduced its lending rate from 7 to 6½ per cent.

★

According to the Central Statistical Office's revised figures the decline last year in consumer expenditure at constant prices, seasonally adjusted, was a little less than

had been thought. By the first quarter of this year total spending had recovered most of the drop of the previous three months. It rose again in the second quarter, this time by over 1 per cent to a record level: this was the result of increased purchases of drink, durables and miscellaneous services.

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COMPANY MEETINGS

JAMES HOWDEN & COMPANY

(Specialists in design and manufacture of Air and Gas Handling Plant)

GROUP SALES AGAIN INCREASED

CONTINUING HIGH LEVEL OF ACTIVITY

The fifty-sixth annual general meeting of James Howden & Company Limited was held on October 10th in Glasgow, Mr Crawford W. Hume, MRINA (the chairman), presiding.

The following is his circulated statement:

It is with deep regret that I have to record the death last July of Mr P. H. N. Ulander, Technical Director for many years. He joined us 38 years ago from Swedish associates when he was a young man, but he was then already an experienced and highly trained engineer. Great engineering and administrative ability together with an outstanding personality quickly earned him a directorship of our Subsidiary, James Howden & Co. (Land) Limited, followed three years later, in 1934, by a seat on the main Board. He will be very much missed by his many friends.

Mr John D. Young, who joined the Company in 1937 and became a Director in 1957, has intimated his intention to retire. I should like to pay a special tribute to his valued services. We will all greatly miss his kindly manner and wise counsel. We wish him health and happiness in his retirement.

The accounts of the Parent Company and the Group are presented in the usual form for the year which ended on April 30, 1962.

The total sales of the Group, which are once more an increase on the previous year, amounted to £9,534,421, of which the Parent Company effected £7,276,401 and the Subsidiaries £2,258,020. The trading profit of the Group at £943,382 compares with £989,165 for the previous year. These figures in all the circumstances, and particularly in a year of restriction, are not unsatisfactory, but the profit before taxation of £661,972 compared with £802,642 is disappointing, although this is partly explained by the increase of about £22,000 in depreciation and about £64,000 in interest.

The group profit of £661,972 has been hard hit by taxation this year amounting to £382,535 because a loss by the Canadian Company has had to be carried by the taxed profits of the other Companies of the Group.

SUBSIDIARIES' ACTIVITIES

The Subsidiaries have done well, with the exception of the Canadian Company which has been a great disappointment. Last year the immediate and long-term prospects in Canada appeared to be bright. After careful consideration it was decided to increase the manufacturing facilities of the Canadian Company—a decision which we think was right and will bear fruit in the future. Thus, a new bay was added last winter at a cost of \$500,000 to pro-

vide an additional 30,000 square feet of floor space. However, because of the changed economic situation in Canada, industrial orders did not materialise and electricity power station extensions were postponed, with the result that our operations in that country have shown a loss of £120,467.

I still believe that the long-term prospects of the Canadian Subsidiary are good, but I find it difficult to give you any hope that this Subsidiary will show a profit during the current year. Everything possible is being done by our Canadian Management to improve the situation.

The necessary finance was found in Canada by the issue of \$1,500,000 6½ per cent First Mortgage Bonds. The balance of \$1 million has been used to reduce indebtedness to the Parent Company and to the Canadian Bank. The Parent Company has guaranteed the Bonds.

Our other overseas Subsidiaries in South Africa, Australia and Holland earned a total profit before taxation of £278,040.

In South Africa, business has continued to be very good and the two operating Subsidiaries made a profit of £153,980.

In Australia we have had a good year, the profit being £60,192. The current year's trading may be slightly reduced due to a fluctuation in demand, but the immediately following years should be very good.

In Holland our new Subsidiary has had a satisfactory result, earning a profit of £63,868.

In France our Subsidiary has only recently been formed. It should afford advantages which will increase the substantial business we have enjoyed there during the past few years.

In the Parent Company's accounts, the profit before U.K. tax, taking into account the Australian taxed dividend received from our Australian Subsidiary, amounts to £539,633. After deducting taxation of £297,821 and adding the balance carried forward from last year there remains a balance of £435,387 for allocation and appropriation. £30,000 has been transferred to General Reserve, bringing this to £1,900,000. The Group General Reserve will now be £2,589,604.

If the recommended dividend of 20 per cent is approved, there will be a balance to be carried forward of £196,371 in the Parent Company's accounts. The Group balance to be carried forward will then be £88,330.

£14M ORDER BOOK

I hope and believe that the present period of restraint may not require to continue much

longer and subject to this and no unforeseen circumstances arising, I feel that, with a substantial order book amounting to some £14 million and taking into account the current rate of orders, we should be assured of a high level of activity for some years to come.

The reduction in the profit of the Parent Company as compared with the last year is disappointing as the total sales value was again higher than in any previous year. The reduced profit margin resulted mainly from increased costs of production not being matched by increased prices and by our flow of production being put out of balance by sales of certain products being lower than expected.

In our ordinary way of business our uneven flow of production of large units on long delivery is balanced by the receipt of many small orders for quick manufacture and delivery. The steps taken by the Chancellor of the Exchequer last year to correct the economic instability of the country had an immediate effect on these orders and many projects were postponed. At the same time, the running down of marine business, which fortunately for us was a small proportion of the total, has nevertheless been noticeable and has contributed to the lack of balance. Measures have been taken to minimise the effect wherever possible.

The orders booked during the year under review were substantial and in excess of the output, but a large proportion is for long delivery and we are missing the quick turnover industrial work as a result of the postponement of development plans in industry to which I have just referred.

CAPACITY GEARED TO MEET INCREASED DEMANDS

It would appear that the Central Electricity Generating Board and South of Scotland Electricity Board requirements for conventional coal or oil burning power plant have been increased, and these may be of great benefit to us. Our capacity is geared to meet such increased demands.

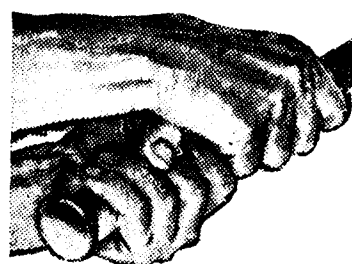
A recovery in industrial spending on capital goods should also be of great value to us.

General export business is good, but often made difficult in the case of our heavy capital goods by dollar or other foreign loans made on condition that the plant is bought complete in the lending country.

I have pleasure in thanking the Boards of the Subsidiary Companies and all the employees at home and abroad for their loyalty and service.

The report and accounts were adopted.

RANK



A NAME THAT RINGS ROUND THE WORLD

IN his Statement for the 53 weeks ended 30th June, 1962, The Lord Rank said that the past year had been one of the most significant in the Group's history. The complete financial merger of The Rank Organisation Ltd. with Gaumont British Ltd. had taken place, which had greatly simplified the administration and financing of the Group.

THE FINANCIAL RESULTS

Group trading profits before charging interest and taxation amount to £6,617,026, as compared with £6,450,805 for the previous year. The estimate of 1962 Group profits given at the time of the Convertible Loan Stock Issue had been £6,000,000.

After providing for interest payable, taxation and outside shareholders' interests, the net profit had been estimated at £1,550,000. The actual net profit was £1,906,132.

THE DIRECTORATE

As previously announced, Lord Rank was retiring as Chairman and was being succeeded by the Deputy Chairman and Chief Executive, Mr. John Davis. Lord Rank would continue as a Director with the title of President. Mr. Kenneth Winckles had been appointed Managing Director.

THE FUTURE

In company with many other businesses, the Group experienced difficult trading conditions last year, not only in the traditional cinema business, but in connection with its manufacturing activities. Taking this into account, the Organisation had done well to increase its profits as compared with last year. The Board was recommending an increased Ordinary dividend of 25% as forecast, which was adequately covered by profits.

During the year the Organisation had been strengthened in several directions, including the simplification of the financial structure, the provision of essential finance for development, and the complete re-organisation of the management structure on Divisional lines.

Further shrinkage in theatre attendances might lead to some reduction in profits, but this should be fully compensated by increased profits from the 'Miscellaneous Activities'.

Under current economic conditions few Chairmen found it possible to make any firm forecast for the future. However, said Lord Rank, I am hopeful that the Group will increase its profits in 1962/63 in the absence of unforeseen circumstances.

FILM ACTIVITIES

Exhibition. We believe that our Theatre interests, as now rationalised, will continue to be an important contributor to our overall profits provided that there are sufficient films available, particularly from America. Flexible booking policies, covering 70mm. presentations, extended runs, mass releases, etc. will play an increasing part in the "new look" of film exhibition. The theatres playing the Rank Release have by and large held their own. By flexibility of approach we hope to keep the 40-50 theatres of the so-called "Third Release"—for which the supply of product has largely disappeared—in operation.

While rationalising our activities, we have been spending substantially over £1,000,000 a year on major modernisation schemes.

Film Distribution. Despite the rate of national theatre closures, the U.K. operation continues to secure contracts on individual films which are only 10% less than in the peak period of 1957. Overseas, the operation is highly efficient.

Film Production. The challenge of changing public taste has been met with fair success, despite the alarming rise in costs. Earnings overseas account for 41% of the total.

The Film Processing Division has more than held its own. Colour film printing facilities have been extended to all types of film sold to amateurs. **The Rank Film Library**, the most important in this country, had a successful year.

LEISURE SERVICE ACTIVITIES

The greatest potential in this area is **Tenpin Bowling** and our experience has satisfied us that this is a potential profit earner in our overall activities.

The Group operates 25 **Ballrooms**. We have laid down an expansion programme which will take five years to mature, by which time we anticipate that we shall be one of the leading operators. **Dance Studios** are being developed and turnover is increasing.

We have secured contracts for **Service Areas** on the M.2 and M.6 and now run our first **Motor Hotel**, near Dublin.

The **Relay Activities** have been integrated with the **Retail Shops** under common management and now trade under the name of **Top Rank Home and Leisure Service**. It is our aim to expand into the major shopping centres throughout this country. **Southern Television**. The future of this Company,

in which we hold a 37½% interest, is bound up with the decisions of Parliament. Considerable thought will have to be given when new contracts are being negotiated as to the possibility of making a reasonable profit in what must always be a speculative business.

The Pilkington Committee recommended against Pay-TV but the Government has reserved its decision. We hope our Associated Company, **Choiceview**, may be permitted a field trial.

MANUFACTURING AND MARKETING ACTIVITIES

We concluded that **Bush** would find increasingly competitive disadvantages unless it could increase its manufacturing capacity, and in June we acquired **Murphy Radio**. Rationalisation will take time. We look for some benefit in the current year, and greater benefit subsequently. Colour research and development is moving much faster than we anticipated. We have secured substantial contracts from the B.B.C. and G.P.O. for equipment. **Rank Cintel**, our highly specialised electronic Division, has been materially re-organised. **Rank Precision Industries Ltd.** has been faced with problems in areas where it manufactured for the film industry. Also, difficult conditions developed when open import licences were granted to Japanese cine and photographic products.

The Cine and Photographic Division successfully launched the new 16mm. **Bell and Howell** sound projector. The amateur market, however, has been dislocated through heavy competition. 50% of the **Rank Taylor Hobson Division's** output was sold overseas, which represents 50% of Britain's exports in this field. The expansion of the measuring instrumentation lines has been increased. We are still expanding in Europe, and have set up a direct operation in Germany.

The long-term project of the **Xeronic Computer Printer** has been helped by two successful installations during the year. **Rank Xerox Limited**, in which we are proud to be in partnership with the Xerox Corporation of America, is one of our most important growth activities. Turnover has increased by 425% in three years. The output of the 914 Office Copier in 1961 was 1,750 machines and in 1962/63 will be of the order of 4,000. Demand for the Copyflo machine has also developed well. I hope that in 1962/63 we shall receive a dividend from Rank Xerox for the first time.

AMALGAMATED TIN MINES OF NIGERIA

LARGE CAPITAL EXPENDITURE PROGRAMME

PROBLEM OF RISING COSTS

SIR DOUGLAS WARING ON CURRENT YEAR'S PROSPECTS

CAPITAL EXPENDITURE

The twenty-third Annual General Meeting of Amalgamated Tin Mines of Nigeria Limited will be held on November 2nd at 55-61, Moor-gate, London, E.C.2.

The following is the Statement by **Sir Douglas Waring, CBE**, the Chairman, which has been circulated with the Report and Accounts for the year ended March 31, 1962:

Before dealing with the results for the year I would like to welcome the appointment to the Board in December last of Mr W. T. Dunne. Mr Dunne is well known in Malaya where he practised as a consulting mining engineer for many years before taking up residence in this country. His experience in opencast mining and exploratory work should prove especially beneficial to an undertaking such as ours and I am pleased to say that he has already visited the properties and consulted with the management in Nigeria.

THE YEAR'S OPERATIONS

The output of tin concentrate for the year was 4,645 tons. This is 163 tons less than the previous year but was achieved in spite of serious rationing of electric power. At the beginning of November an average ceiling of 4,200,000 units per month was imposed by the Nigerian Electricity Supply Corporation Limited, representing a drop of approximately 20 per cent. Power was also restricted in April and May, 1961.

Our sales of tin concentrate for the year totalled 4,730 tons compared with 4,788 tons in 1960-61, but the average price of metal covering these sales was £952 as against £814.

We have not been so fortunate in our sales of columbite, though I did give an indication in my Statement last year that this was to be expected. Our output increased to 884 tons concentrate against 722 tons, but sales were lower at 545 tons compared with 1,371 tons. Development of pyrochlore projects elsewhere in the world appears to be responsible for the present lack of demand for Nigerian columbite but with the assistance of the British Metal Corporation we are doing everything possible to stimulate further interest.

The profit for the year was £721,162 which is after charging a substantially higher depreciation charge than previously as I warned shareholders last year. Taxation amounting to £289,000 has to be deducted and the sum of £100,000 has been placed to General Reserve. The interim dividend of 10 per cent paid in March took £119,437 and the final dividend of 17½ per cent now recommended will absorb £209,016 leaving £3,709 to be added to our carry forward.

The Company's contribution to the Nigerian Government's proportion of the second Buffer Stock has been assessed at £375,156 and this amount has been set off against £422,703 being the refund of contributions and surplus arising on the first Buffer Stock. The Company's share of the surplus was £72,557 and this has been shown in the Balance Sheet as a deduction from our contribution to the second Buffer Stock.

Capital expenditure on the new earth-moving equipment programme, as part of our overall estimate of £1,000,000 spread over five years, was £445,000 (of which about £326,000 was in respect of a new dragline) and this approximates to the estimate I gave last year. In addition to this we spent some £150,000 for usual replacements on other capital items.

Capital expenditure for the two years to March 31, 1964, is currently estimated at around £600,000 of which some £200,000 will be in respect of our earth-moving equipment programme and which will see us through three years of our five-year plan. It will thus be evident that although the liquid position is strong, our cash balances will be needed to meet future capital commitments. Our stores show at an increased figure but this is largely due to spares for our new earth-moving plant and items of capital equipment received but not installed at the date of the Balance Sheet. I hope that by making use of local purchasing facilities, which show some improvement compared with the past, we may be able to effect a reduction in the current year.

The erection on site of the new dragline is now nearing completion and when this is finally ready in a month or two it is the intention to mark the occasion with an opening ceremony at which the Premier of the Northern Region, Alhaji Sir Ahmadu Bello, KBE, has kindly agreed to officiate.

PARTICIPATION IN LOCAL ENTERPRISE

During the year we acquired a Trade Investment of £12,500. This represents a participation in the capital of the new Maki Smelting Company near Jos to which our tin concentrate has been delivered since December 1, 1961. The smelter, which is functioning well, represents a contribution towards Nigeria's aims in economic advancement and your Board felt that it was important to participate in this local industrial enterprise.

INCREASE IN COSTS

I visited Nigeria in June for the purpose of discussing problems with Mr Farrington, the General Manager of A. O. Nigeria Limited, and his staff. Since the commencement of the current financial year there has been a considerable increase in costs, consisting largely of items outside the control of the management. As from April 1st last, the price of electricity has been put up by no less than 28 per cent of our previous charge, taken on average, which will mean an increase of approximately £72,000 on our annual bill, based on the previous year's consumption. In addition, the special diesel fuel rebate for industrial consumers hitherto granted by the Northern Region Government has been cancelled. Therefore, both our sources of power have become more expensive simultaneously. The Nigerian Government budgets this year also involve increases in duties on oil, petrol, and in fact most imports.

In an effort to offset this general rise in costs, the management has revised the operating programmes and instituted economies in various directions, all of which were discussed on the spot at the time of my visit.

It is appropriate that I should record that there has been the fullest co-operation by all concerned to adapt the organisation to meet existing circumstances, but it is not possible to go all the way to offset the general increases in mine charges which have all occurred at the same time.

NIGERIANISATION

There is a growing desire to accelerate Nigerianisation throughout the supervisory staff of the minesfield generally. This is understandable in the case of all newly independent countries, but our efforts to speed up the process are largely frustrated through lack of basic education of aspiring candidates to qualify for entry to technical institutions and mining schools, in spite of sponsorships which the Company has granted. For the moment it is necessary to go further down the line and try to assist in primary and secondary education and to ask that patience be exercised during this transition stage. The management on its part gladly welcomes the entry of Nigerians to fill the senior posts at present held by Europeans on an equal status and remuneration, on the understanding that this basis of equality applies in the same manner to the qualifications and capability of those Africans appointed to assume the very responsible positions attached to mining in particular. On the administrative side, progress has already been more rapid and, in conformity with the policy adopted by the larger commercial and trading organisations in Nigeria, the opportunity is being given to enable selected African staff to gain experience in the United Kingdom, by means of a visit to this country, involving a short-term course in subjects relating to their duties on the minesfield.

LABOUR AND WELFARE

In regard to Labour, we have always enjoyed a reputation, second to none on the Plateau, for our attention to Housing and Welfare. The obligations represent a considerable item in our Capital and Revenue budgets but I am sure that it is essential to pay particular attention to such matters at the present time and I made it a point to cover this subject very fully on my recent visit. I am quite satisfied that the enlightened attitude of the management towards this important feature is the right one and that if political agitation seeks to exploit isolated cases where conditions are not what they might be, we for our part are co-operating fully with the Nigerian Government in setting a high standard in this direction.

CURRENT YEAR'S PROSPECTS

It is always difficult to forecast prospects for a mining company owing to the variable factors and the uncertain elements in any undertakings of this nature. By comparison with conditions

THE RANK ORGANISATION

COMPRISES THE FOLLOWING DIVISIONS

ADVERTISING FILMS · BALLROOM DANCING · BUSH RADIO · CATERING · CELLULOID PRODUCTS · CINE & PHOTOGRAPHIC · FILM PROCESSING · FILM PRODUCTION · FILMUSIC · KERSHAW · RANK CINTEL · RANK FILM LIBRARY · RANK KALEE · RANK TAYLOR HOBSON · RANK XEROX · TENPIN BOWLING THEATRE · TOP RANK HOME & LEISURE SERVICE · TOP RANK MOTORWAY SERVICE
WHARFEDALE WIRELESS WORKS · WORLD FILM DISTRIBUTION · OVERSEAS · WORLD FILM DISTRIBUTION U.K.

This is a condensation of the Chairman's Statement. If you would like a copy of the full Statement, with the Annual Report and Accounts and illustrated Survey of the Group's activities, write to The Secretary, The Rank Organisation Limited, 38 South Street, London, W.1.

prevailing in the year under review I have to point out that the price of tin is now relatively static at around the £850 mark as against an average price for the year 1961-62 of £952 per ton as reflected in our sales. Furthermore, the price for the remainder of the current year is no longer subject to the usual economic influences of supply and demand because of the anticipated releases of the U.S. stockpile which produce an entirely artificial element whereby the policy and attitude of the American authorities is the deciding factor. Taking account of the fact that costs have risen for reasons which I have already dealt with it must be apparent that, unless there is a revival of interest in columbite, our results for the current year will not measure up to the profits for the year to March 31, 1962, and that we shall have to trim our sails in distributions to shareholders accordingly. Nevertheless, at this stage we are half-way through our new financial year, and the results so far should permit us to give a reasonable return to our members, even if conditions are less favourable than last year.

In conclusion may I record that M. Mohamed

Tukur, OBE, The Emir of Yauri, has joined the Board of A. O. Nigeria Limited in place of the Hon. P. S. Achimugu who resigned on his appointment as a Provincial Court Judge. I also have to point out that arrangements have been made during the year so that all residents in Nigeria can more easily participate in the profits accruing from our mining undertaking on the Plateau through the purchase in Nigeria of Security Deposit receipts covering shares in our Company. A quotation in the Company's shares has also been obtained on the Lagos Stock Exchange.

Finally, on behalf of the Board I would wish to pay particular tribute to all our managerial staff in Nigeria and to our labour force, for their loyalty and attention to duty during the past year. Their lives are largely concerned with the prosperity of the Company for which they are working, and I have the fullest personal knowledge of the impact which this has upon them and to what extent favourable or adverse conditions influence their happiness and wellbeing.

THE UPPER ASSAM TEA COMPANY

RECORD OUTTURN IN CENTENARY YEAR

The one hundredth annual general meeting of The Upper Assam Tea Company, Limited, was held on October 9th in London.

Mr H. C. Bannerman (the chairman) presided and, in the course of his speech, said:

In common with the general experience of other producers in 1961, the average sale prices realised for the Company's crop failed to reach the levels obtained in the previous year, either in London or Calcutta, although auction prices during the latter part of the selling season proved better than seemed likely earlier on. The overall selling price works out at 4/3.79d. per lb. compared with 4/7.29d. in 1960. I am pleased to say, however, that the Company's outturn established a record, exceeding five million pounds for the first time, and representing an increase of 13 per cent over 1960. The cost of producing the crop fell from 3/8.65d. to 3/6.27d. per lb. so that despite a reduction of 1d. per lb. in the gross margin to 9½d., the Company was able to earn a crop profit some £2,000 higher at £198,848.

The final dividend of 15 per cent, free of tax, now recommended, together with the interim dividend of 2½ per cent, also free of tax, paid in January last, maintains once again a total of 17½ per cent for the year. In addition, your Directors recommend the payment of a special dividend of 2½ per cent, free of tax, to mark the important occasion of the Company's centenary.

With regard to prospects for the current season, the outturn to date has not quite reached last year's record figures to the same date. The crop at the end of September amounted to 3,519,040 lbs. compared with 3,609,600 lbs. a year earlier. Given satisfactory weather conditions for the remainder of the season, I am not without optimism that a reasonably good crop may be achieved. Sale prices so far for quality teas of the type produced by your Company compare favourably with those realised up to the same time last year.

Turning to the figures of world supply and absorption prepared by the International Tea Committee, which is the only authoritative source, these show that the 1961 world supply exceeded world demand by about 30 million lbs. This was much more favourable than it was at one time anticipated and was undoubtedly due in large measure to the considerable increase in India's internal consumption which rose from about 274 million to about 305 million lbs.

The latest figures for the current year show that outturn from the major producing countries is slightly less than the 1961 figure and it may well be that India's internal consumption will again progressively increase.

We must, however, view with some anxiety the desire of governments of all the producing countries vastly to increase both production and exports. In the case of India alone, under the target which they have set of 900 million lbs. per annum at the end of the current five-year plan, the desired figure of exports is about 170

million lbs. above the present-day figure. With increased production from what might be termed the newcomers, that is to say Africa and other new sources of supply, it is apparent that if over-supply is to be avoided, world consumption must be steadily increased. With intensification of propaganda this may be possible but unless equilibrium between supply and demand is maintained, we may well face difficulty in coming years. On the other hand a measure of optimism may be based on the fact that in the past 10 years world demand has increased from approximately 1,200 million to over 1,600 million lbs. annually and production within the same period rose approximately from 1,160 million to 1,650 million lbs. Let us hope therefore that consumption and production figures will continue in reasonable balance.

The report was adopted.

THE KETTON PORTLAND CEMENT CO. LTD.

The thirty-fourth Annual General Meeting of The Ketton Portland Cement Co. Ltd., was held on October 11th at Albion Works, Sheffield. The Chairman, Mr H. W. Secker, OBE, presided and in his report, already circulated, said:

Mr Erik Elmquist, a member of the Board since its inception, decided to retire at the end of the financial year. It would be difficult to give adequate expression to the great assistance and benefits received from his good counsel. I am sure you will join in wishing him good health and happiness in his retirement.

Your Directors appointed Mr J. A. Eadon to succeed Mr Elmquist. He is well known to your Company and is Group Consulting Engineer for Thos. W. Ward Ltd.

INCREASED PROFITS

Despatches were 331,278 tons, compared with 326,506 tons in the previous year, and this is the second highest tonnage obtained by the Company. Profit, before tax, is £487,926, compared with £440,090 last year, an increase largely contributed to by an increased return on

BEKOH CONSOLIDATED RUBBER ESTATES

SATISFACTORY CROP

The forty-second annual general meeting of Bekoh Consolidated Rubber Estates Limited was held on October 10th in London, Mr A. A. Estall (Chairman) presiding.

The following is an extract from his circulated Review:

The Accounts for the year ended March 31, 1962, show a profit of £67,785 before taxation and provision for replanting and upkeep of immature areas. This is £3,567 greater than that for the preceding year and, bearing in mind the much lower prices realised for the crop, is most satisfactory. It will be noticed that cost of production is also less than for the previous

investment in Ribblesdale Cement Ltd., and a slightly higher profit margin on our own cement sales.

Charge for depreciation at £118,065, is £15,902 more than for the previous year and a full year's charge on new equipment in next year's accounts will considerably increase the total charge.

Taxation at £101,000 is £95,000 less than for the previous year owing to the influence of investment and initial allowances. The profit after tax is £386,926, compared with £244,090. In addition, we have brought back £5,000 in respect of tax previously over-provided.

Your Directors feel justified in proposing a final dividend of 17½ per cent on the ordinary shares making, with the interim dividend of 5 per cent already paid, a total of 22½ per cent less tax—an increase of 2½ per cent. Holders of 7½ per cent Participating Preference Shares will be entitled to the half-year's dividend of 3½ per cent and an additional participation of £7 8s. 0d. per cent in accordance with the terms of issue.

It is considered prudent to allocate £200,000 to General Reserve (compared with £150,000 last year) bringing the total to £700,000. Additions to fixed assets amounted to £1,105,810, the bulk of which relates to the new unit.

year despite the larger crop harvested. Taxation is provided for in the sum of £18,749 as compared with £17,865 last year.

An interim dividend of 2½ per cent less Income Tax was declared and paid on May 21, 1962, and your Board now recommend a final dividend of 7½ per cent less Income Tax, making a total distribution for the year of 10 per cent, absorbing £21,384, and to carry forward to Profit & Loss Account the balance of £35,554.

During the year a crop of 2,689,500 lbs. was harvested, against an estimate of 2,592,000 lbs. which is indeed satisfactory. For the current year, to March 31, 1963, we have estimated for a total of 2,743,000 lbs., and to the end of August 1,018,500 lbs. have been harvested. It is confidently expected that our estimate will be attained.

The report and accounts were adopted.

The heavy capital expenditure is reflected in the Company's liquid position. At the end of the last financial year current assets exceeded current liabilities by £956,000; the excess is now £152,000. When the outstanding capital commitments have been extinguished the liquid position will, of course, gradually improve.

NEW PLANT IN OPERATION

Your Company's busy and rewarding year was concluded by bringing into operation the 5th unit which it is hoped will add 150,000 tons per annum to the works' capacity.

Buildings, plant and machinery have been maintained in good order, and we are constructing additional cement storage accommodation to give increased facilities for the despatch of bulk cement. Our road transport fleet has been further extended.

Ribblesdale Cement Ltd., jointly owned by The Tunnel Portland Cement Co. Ltd., has continued to operate at full pressure, and its subsidiary, The Horrocksford Lime Co. Ltd., has also been fully employed.

The report and accounts were adopted, Mr J. A. Eadon retired in accordance with the Articles of Association, and was re-elected. The retiring director, Mr D. F. Walton, was also re-elected.



CITY CENTRE PROPERTIES LIMITED

The Annual General Meeting will be held on 7th November, 1962, and the Report and Accounts for the NINE MONTHS ended 25th March, 1962, shows:—

Issued Capital: 21,189,832 Ordinary Shares of 5/- each	£5,297,458
Capital Reserves	£7,172,469
Gross Income of the Group	£6,016,404
Net Income for the period (after taxation)	£726,022

Dividends of 22½ per cent. for the nine months are equivalent to a rate of 30 per cent. per annum.

FIVE YEARS' PROGRESS

Years ended March 25th	1958	1959	1960	1961	1962
	£	£	£	£	£
	'000	'000	'000	'000	'000
TOTAL INCOME	966	1,175	2,306	5,724*	8,021*
PROFITS BEFORE TAXATION	126	289	369	645*	751*
PROFITS AFTER TAXATION (and adjustments relative to development expenditure)	128	185	337	881*	1,060*
DIVIDENDS AFTER TAXATION	70	163	297	605	730
PROPERTIES AT BOOK VALUES	8,145	9,681	25,052	53,529	66,600
INVESTMENTS IN ASSOCIATED PROPERTY COMPANIES AT COST	357	190	2,603	5,921	5,968

* Calculated to indicate approximate annual rate.

Copies of the Report and Accounts can be obtained from the Secretary, City Centre House, 9 Park Place, St. James's, London, S.W.1.

APPOINTMENTS

LANCASHIRE COUNTY COUNCIL

RESEARCH ASSISTANT required in the Planning Department at PRESTON. Commencing salary and maximum salary according to qualifications and experience within range £6-0-4.1.500 per annum. Applicants should possess a good honours degree in economics, geography, sociology or related subjects and should be interested in problems of industry, population and housing. Disturbance allowances and removal expenses to a maximum of £125 will be granted in approved cases. Applications giving age, qualifications, present appointment, experience and two referees to the County Planning Officer (G), East Chiff County Offices, Preston, by the 30th October, 1962.

NIGERIAN INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH

UNIVERSITY COLLEGE, IBADAN, NIGERIA. Applications are invited from Economists for appointment as RESEARCH FELLOW. Appointment on contract for three years. Salary scale: £1,200 x £5-0-1,650 (hard); £1,25 x £5-0-2,100 per annum. Entry according to qualifications and experience. Passages paid on appointment, approved overseas leave and termination, where applicable, for member of staff, children and car allowances. Part-furnished accommodation at rent not exceeding 7 per cent of salary. F.S.S.U. Detailed applications (6 copies) naming three referees by November 15, 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 OF EDINBURGH

CHAIR OF ECONOMIC HISTORY

The University Court invites applications for the Chair of Economic History, which has become vacant in consequence of the appointment of Professor A. J. Youngson to the George Watson's and Daniel Stewart's Chair of Economic Science. The salary of the Chair will be not less than £3,000 per annum. The terms and conditions of appointment may be obtained from the undersigned, with whom applications (TEN copies) signed, with the names of two referees and including testimonials or evidence the candidates may wish to offer, should be lodged not later than October 31, 1962. A candidate from overseas may submit one copy of application. CHARLES H. STEWART, Secretary to the University.

UNIVERSITY OF NEW ENGLAND

ASSOCIATE PROFESSOR OR SENIOR LECTURER IN ECONOMIC HISTORY

Applications are invited for the above-mentioned position. The successful applicant will be expected to accept responsibility for work in Economic History at the University and for its extension and development. The salary for an Associate Professor is £2,550 x £3,300 and for a Senior Lecturer £2,250 x £3,000. Cost of living allowances are payable in each case amounting to £A42 at present. Provision is made for superannuation, travel and removal expenses and assistance in buying or building a house. Grants are made for sabbatical leave and for research. Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1. Applications close in Australia and London on 14 November, 1962.

NOTTINGHAM & DISTRICT TECHNICAL COLLEGE

BURTON STREET, NOTTINGHAM. Principal: D. A. R. Clark, M.Sc.Tech., M.I.Mech.E.

Applications are invited for the post of SENIOR LECTURER IN ECONOMICS. Staff are expected to conduct research work. Consultancy work is allowed. Salary in accordance with the Nottingham Technical Scale as follows: £1,800 x £50—£2,000 per annum. A salary above the minimum may be paid in approved cases. Further particulars and form of application may be obtained from the Principal to whom completed forms should be returned not later than October 21, 1962.

UNIVERSITY OF QUEENSLAND

SENIOR LECTURER IN ECONOMICS

The University invites applications for the above-mentioned position. Applicants should have high academic qualifications in Economics and some years experience in teaching at University level and/or economic research. The successful applicant will be required to teach in either Pure or Applied Economics, according to his qualifications. The salary range for Senior Lecturer is £2,520-4 x £100, £1 x £80-£A3,000. The successful applicant will be entitled to F.S.S.U. type superannuation, Housing Assistance, Study Leave and Travel Grants. Additional information on the conditions of appointment, staffing and activities of the Department, together with application forms will be supplied upon request to the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1. Applications close in London and Brisbane on 17th November, 1962.

UNIVERSITY OF KHARTOUM

APPLICATIONS ARE INVITED FOR THE PROFESSORSHIP OF GEOGRAPHY

Salary scale: Professor—£52,760 per annum. Generous allowances payable. Passages for appointee and family on appointment, termination and annual leave. There is a superannuation scheme, and arrangements can be made to maintain F.S.S.U. policies. Direct appointment on contract normally for 5 years with possibility of renewal (secondment) welcomed if possible. Unfurnished accommodation provided at rent (excluding rates) up to 7½ per cent of salary. Applications (10 copies) detailing qualifications and experience and naming three referees by November 18, 1962, to Registrar, University of Khartoum, c/o Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1.

For further appointments and other classified advertisements see page 192

UNIVERSITY OF EXETER

LECTURER IN AGRICULTURAL ECONOMICS

Applications are invited for the post of Lecturer in the Department of Economics, tenable at the Provincial Agricultural Economics Centre at Newton Abbot, Devon. Applicants should possess good honours or higher degrees in Economics and/or Agriculture with Economics, and should have some experience in research in the field of agricultural economics. The successful applicant will be required to undertake advisory work and should be familiar with the use of all farm management advisory methods. Salary scale £1,150 x £50-£1,500 x £75 (efficiency Bar) x £5-0-£1,950. Starting salary according to qualifications and experience. Further particulars may be obtained from the Secretary of the University, Northcote House, The Queen's Drive, Exeter, to whom applications (6 copies—overseas candidates—1 copy) should be sent by October 31, 1962.

COMPANY AFFAIRS

Prices of both gilt-edged and equities went into reverse in the London stock market early this week with investors uncertain as to the effect on prices now that the first six month period of the capital gains tax is up. But by Wednesday fears of heavy selling on that score had diminished and buyers returned to the market. Gilt-edged on Wednesday and Thursday met a strong demand and prices recovered most of their earlier falls. In equities, too, prices made good headway and THE ECONOMIST indicator was slightly up over the week to Wednesday's close at 334.2.

Leisure Steps Out

THE sun has shone brilliantly for Mr Charles Forte. Even before the details of the package offer of one £1 preference share and one 5s. ordinary share at 20s. each in Forte's (Holdings) were issued, the magic of his name pointed to a massive oversubscription. Then, on the eve of the prospectus, another catering and entertainment group, Mecca, published excellent results. The man who has built up the business retains firm control of it through his ownership of 71 per cent of the ordinary votes, but this has not damped the enthusiasm of investors.

The prospectus is one of the biggest on record and contains details not only of Mr Forte's present empire but of the companies which he is now acquiring. Present activities include: popular catering, mainly in the London area, under such names as Forte's, Fuller's, Quality Inns, Pronto and Stewarts (though there is no connection with the seaside Fortes cafes); hotels and restaurants, including the Waldorf, the Criterion and the Cafe Royal; airport catering; fourteen licensed houses; bakery, chocolate, confectionery, ice cream and other foods; bulk catering; and such miscellaneous investments as a majority stake in the "Talk of the Town" theatre restaurant and a half-interest in the Newport Pagnell service area on the M1. Companies which will join the group this year include the "Mr Whippy" soft ice cream business and the Belle Vue (Manchester) amusement and catering centre. The consolidation of the profits of these acquisitions into the accounts for the year to January 27th next should, the prospectus forecasts, produce a gross profit for the group as a whole of just over £1 million and net equity earnings of just over £475,000. On that basis, the forecast dividend of 18½ per cent. will be covered 2½ times; the dividend on the "B" ordinary shares is waived until January, 1966, but a payment of 18½ per cent on these shares would bring the cover down to 1½ times. The ordinary shares are being issued on a prospective dividend yield of 4½ per cent.

The issue proceeds of just under £3 million will be used to repay accumulated bank overdrafts of nearly £2.8 million. This will leave about £1.2 million outstanding in loans, debentures and mortgages over and above the £1.5 million in preference shares.

This and the market quotation for the ordinary shares leaves Mr Forte with plenty of financial room for further expansion, on which his heart seems set. The only danger with this issue is that Forte's will be a "glamour" stock, which is not an unmixed blessing, and that once dealings begin the market in its enthusiasm will run the price up too quickly.

The Mecca statement includes only one profit figure—an increase of £337,000 to an unspecified figure in net trading profits. This is vague, but it does indicate that the growth in leisure spending and in profits made from it is not flagging. But satisfying the public's tastes can be a costly business and Mecca is to raise £4 million by a rights issue in order to expand its dance halls and the growing chain of Silver Blades ice rinks. The new shares being offered are non-voting "A" shares. This may deter some institutions but the terms are attractive—one-for-two at 16s.—and the rights issue is to be accompanied by a one-for-ten scrip issue in "A" shares. The interim dividend has been raised from 8 to 11 per cent in order to equalise the interim and final payments (which together amounted to 22 per cent for 1961). On 22 per cent, the "A" shares at 39s. 6d. offer a prospective yield of 3.7 per cent on an ex all price of 29s. 9d. For the ordinary shares the yield on an ex all price of 48s. 3d. is still only 2.2 per cent. The returns are low but they reflect a good showing in the past and the growth potential of a group which seems to be in tune with the leisure needs of affluent teenagers.

Debenhams



ON the maintained dividend of 19½ per cent, Debenhams 10s. shares at 48s. 6d. yield 4 per cent, covered 1½ times. The fall in the price this week was justified. Against the competition of the multiples and the chain stores, the department stores have difficulty in pushing up sales while their traditional organisation, based on a wide range of goods under one roof, does not lend itself readily to the more modern forms of retailing. The edge once given to Debenhams, the biggest

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group of department stores in this country, by centralised, bulk buying has been blunted and its record over the last decade has not been exciting. The year to July 31st was not an easy one for retailers, and trade, particularly in the fashion field, was difficult in the first half of this year. The trading results, though no worse than expected after an interim statement had reported a fall of 4½ per cent in gross profits in the first half of the financial year, are not impressive: trading profits in the full year have fallen by 2 per cent, from £8,599,000 to £8,433,000; gross profits by 3½ per cent, from £7,219,000 to £6,945,000; and net profits by 5 per cent, from £3,564,000 to £3,387,000. Expenses, the directors say, are still rising but turnover since August has shown signs of improving.

The food division has been reorganised and the directors propose to expand in the "variety chain field." The 4 per cent yield still anticipates some tangible benefits from such policies of re-organisation and integration and could be expecting too much from the economies that can be secured. It also seems to expect a lot of the group's property potentialities. The directors are exploring these, but so far the results are limited to the sale of two small properties, apparently at a good profit. They have, however, opened discussions with a big property company about the re-development of two of Debenhams' bigger sites though these schemes cannot be "productive" for between three to five years.

Redland Holdings

DETAILS of the division of Eastwoods between Redland Holdings and Rugby Portland Cement have now been augmented by the issue plans of Redland Holdings which is paying just under £7 million in cash to Rugby for Eastwoods' non-cement interests, consisting of eleven brickworks and some sand and ballast pits, largely in the Midlands and the South, and 22 depots spread throughout England. These interests have accounted for a growing proportion of Eastwoods' profits, contributing about 70 per cent of its total attributable profits in 1961-62. Their acquisition will add about 50 per cent to Redland's profits and will be financed by a £4 million rights issue and a £3 million debenture (of which the details will be announced later).

One new 5s. share at 7s. each for every one already held is offered to Redland's ordinary shareholders. The directors forecast a dividend of 14 per cent on the bigger capital. With the existing shares standing at 28s. 6d. this will produce an effective increase in the yield from 3.6 to 4 per cent. This return compares favourably with the yields offered by other leading companies in the building industry, particularly as the deal will make Redland one of the biggest manufacturers of bricks in this country. Redland's profits were well maintained in the first five months of the current year and Eastwoods' turnover is higher.

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Capital and Counties



LIKE most other property companies, Capital and Counties is still in the early stages of its development programme and its chairman, Mr L. Marler, says that precise dividend calculations from year to year are virtually impossible. For the current year, however, a dividend of 20 per cent (against 18 per cent) has already been forecast on the capital as increased by the one-for-seven rights issue. This raised £3.4 million, which practically covered the net increase of £3½ million in the group's holdings

Interims Up to Scratch

A PART from Mecca the latest batch of interim reports and results from various sides of industry have done little to excite the market, for they mainly fulfil forecasts made earlier in the year.

Thus it was hardly surprising that Dunlop Rubber's profits fell in the six months to end June following the chairman's warning last May that certain factors were adversely affecting the group at home and abroad. The directors now say that although there was some improvement in trading in this country in the latter part of the period, trading overseas became more difficult. The volume of sales has been maintained but lower selling prices together with higher wage costs have more than offset the benefits of increased efficiency and

DUNLOP'S SALES AND PROFITS

	Six months to		Dec. 31, 1960		June 30, 1961		Dec. 31, 1961		June 30, 1962	
Sales	139.0	133.0	130.0	132.0	131.0	131.0	131.0	131.0	131.0	131.0
Gross profit	12.05	11.88	12.92	10.45						
Net profit	3.37	3.24	3.84	2.26						
Gross profit/sales	8.7	8.9	9.8	8.0						

lower raw material prices so that profit margins are lower. Shareholders' disappointment with these results may be alleviated by the forecast of better results for the second half of 1962 but the directors do not expect profits to reach the record level achieved in the second half of 1961. This did not impress the market and the 10s. shares fell 2s. 4½d. to 28s. 9d.

As expected, the interim results from British Insulated Callender's Cables show a welcome improvement in profit margins but the chairman, Sir William McFadzean still regards the margins as inadequate in view of the group's heavy capital requirements. He attributes the improvement primarily to the benefits of the group's reorganisation programme over the last few years, rather than to bigger sales. Apart from those sections supplying the radio, television and consumer durables trades, profits from all BICC's operations at home and overseas have improved and Sir William expects profits in the second half to be about the same as those in the first half. This points to a bigger profit for the whole of the year than

of freehold and leasehold properties in the year to April 30th. Bank overdrafts were cleared off and the group is well placed to add to its reserve of sites for future development. The directors' policy is to build up such a reserve of "developable areas" rather than pay inflated prices for "immediately developable" sites which in their view leave little or no room for profit. The immediate increase in profits from recently acquired properties will not, therefore, be large.

In the longer term much is expected from the Knightsbridge Green development project, on which a decision from the Minister of Housing is expected soon. Finance for this and certain other developments has

in 1961 while investment income, the bulk of which accrues in the second half, is likely to be unchanged.

A year ago Babcock and Wilcox gave the stock market a shock by passing its interim dividend and then surprised it pleasantly in April by keeping the full year's payment at 9 per cent with a final of that amount. Profits too were much better than seemed possible at the time of the interim statement and the chairman in his statement took a cautiously optimistic view of future prospects, pointing out that full provision had been made for losses on nuclear power contracts and that the expansion programme of the CEGB was expected to produce its fair share of orders for the group. The resumption of a 4½ per cent interim, the same rate as that paid two years ago, suggests that this view still holds.

With Bowater Paper's final dividend still in the balance shareholders of E. S. & A. Robinson (Holdings), the makers of paper and containers, will be relieved by the directors' assurance that profits for the year to end-February should justify the same total dividend as the 17½ per cent paid for 1961-62. Profits of the home companies are lower but this has been partly offset by higher profits overseas.

Venesta also has a big interest in the container field and its directors hope to maintain the total dividend for 1962 at 17½ per cent. But they warn shareholders that profits will show a "marked reduction," and say that the chairman's forecast that less adverse factors would bear less heavily on profits in the second half of 1962 is not yet being realised. In the glass container industry trading is also difficult and Rockware Glass shocked the market by cutting its interim from 5 to 4 per cent; for 1961 it paid 14 per cent, covered almost twice. United Glass is holding its interim at 5 per cent,

BICC'S SALES AND PROFITS

	Six months to		Dec. 31, 1960		June 30, 1961		Dec. 31, 1961		June 30, 1962	
Sales	69.0	75.0	76.0	77.0						
Gross profit	2.85	3.32	3.19	3.64						
Net profit	1.90	1.91	2.03	2.05						
Gross profit/sales	4.1	4.4	4.2	4.7						

already been arranged with the Norwich Union and the Prudential. In all this amounts to £18.3 million, of which £3½ million had already been advanced by April 30th. The insurance companies will have the right to convert 20 per cent of this loan into the ordinary shares of Capital and Counties in such a way as to produce for them a gross yield of 6 per cent. At the moment the 5s. shares at 44s. 9d. offer an indicated yield of only 2½ per cent on a forecast 20 per cent, but the arrangements with the insurance offices look six or seven years ahead, when the dividend will have to be around 50 per cent to meet the stipulated yield on conversion.

PRICES AND YIELDS

	1962	Oct.	Div.	Yield
Dunlop (£1)	39/6	27/3	28/11	15.8
BICC (£1)	66/3	51/9	63/9	13.1
Babcock & Wilcox (£1)	35/-	20/3	34/9	9
Venesta (£1)	68/6	56/3	56/6	17.1
Rockware Glass (5/-)	12/10½	7/10½	9/6	14
United Glass (5/-)	18/9	13/6	14/-	15
Sunday Pictorial (5/-)	20/9	10/6	11/9	14
Roneo (5/-)	42/-	27/11½	35/9	15
Gestetner 'A' (5/-)	78/6	69/-	70/-	17.1
E. S. & A. Robinson (£1)	106/3	70/-	106/3	17.1
Smith St Aubyn (£1)	65/9	53/9	64/6	12.1

but the directors say that profits, which this year will include those from Key Glass, will be below those for 1961. Both companies say that sales have fallen away.

There is better news, however, from Sunday Pictorial, which is raising its interim from the equivalent of 6½ per cent to 7½ per cent. In June the chairman, Mr Cecil H. King, forecast that the record profits of 1961-62 were unlikely to be repeated, but while trading profits in the six months to end August fell by 4½ per cent there was a sharp increase in dividends from trade investments so that profits before tax at £1,005,000 were almost 11 per cent higher.

In the office equipment field, Gestetner has maintained its interim dividend at 7½ per cent after the one for three scrip issue—an effective increase of 1½ per cent. But this is in sharp contrast to the full year's results from Roneo, which bear out the chairman's warning of six months ago. Its ordinary dividend for the year to June 30th has been cut from 17½ to 14 per cent and trading profits have fallen by just over 25 per cent to £641,000.

If industrial profits are hard to earn at the moment the reverse is true for the discount houses, where the steady fall in interest rates has meant that the houses are earning such favourable margins on their holdings of short bonds that they can take the recent squeeze in bill profits well in their stride. This is reflected in the increase of the interim dividend of Smith St Aubyn from 7½ to 10 per cent; last year the total was 17½ per cent. The shares, which now stand at their 1962 peak, are to be split into 5s. shares, making them less "weighty." The biggest discount house, Union Discount, also forecasts an effectively higher dividend for with the announcement of a one-for-eight scrip issue the directors forecast an unchanged final dividend of 6½ per cent on the bigger capital.

STOCK PRICES

Prices, 1962		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Oct. 3, 1962	Price, Oct. 10, 1962	Net Red. Yield, Oct. 10, 1962	Gross Red. Yield, Oct. 10, 1962	Prices, 1962		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Oct. 3, 1962	Price, Oct. 10, 1962	Yield, Oct. 10, 1962	Cover
High	Low							High	Low								
100 ¹⁵ / ₁₆	100 ³² / ₁₆	Treasury 5 1/2%	1962	100 ¹⁵ / ₁₆	100 ³² / ₁₆	£ 5.00	£ 5.00	105 ¹⁵ / ₁₆	79 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	BANKS, DISCOUNT & HP		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
99 ³² / ₁₆	99 ³² / ₁₆	Exchequer 3 1/2%	1962-63	99 ³² / ₁₆	99 ³² / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Barclays		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
100 ¹⁵ / ₁₆	100 ¹⁵ / ₁₆	Conversion 4 1/2%	1963-64	100 ¹⁵ / ₁₆	100 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	District		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
99 ³² / ₁₆	99 ³² / ₁₆	Exchequer 2 1/2%	1963-64	99 ³² / ₁₆	99 ³² / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Lloyds		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
100 ¹⁵ / ₁₆	100 ¹⁵ / ₁₆	Conversion 4 1/2%	1964	100 ¹⁵ / ₁₆	100 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Midland		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
100 ¹⁵ / ₁₆	100 ¹⁵ / ₁₆	Treasury 5 1/2%	Asst'd. (m)	100 ¹⁵ / ₁₆	100 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Nat. Provincial		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
99 ³² / ₁₆	99 ³² / ₁₆	Treasury 5 1/2%	Asst'd. (n)	99 ³² / ₁₆	99 ³² / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Westminster 'B'		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
99 ³² / ₁₆	99 ³² / ₁₆	Treasury 4 1/2%	1965	99 ³² / ₁₆	99 ³² / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Australia & N.Z. £ p.p.		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
96 ¹⁵ / ₁₆	90 ¹⁵ / ₁₆	Savings Bonds 3 1/2%	1955-65	96 ¹⁵ / ₁₆	96 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Bk. Lond. & S. Amer. £		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
103 ¹⁵ / ₁₆	98 ¹⁵ / ₁₆	Exchequer 5 1/2%	1966	103 ¹⁵ / ₁₆	103 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Bank of Montreal		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
92 ¹⁵ / ₁₆	85 ¹⁵ / ₁₆	Savings Bonds 2 1/2%	1964-67	92 ¹⁵ / ₁₆	92 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Chartered		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
103 ¹⁵ / ₁₆	98 ¹⁵ / ₁₆	Exchequer 5 1/2%	1967	103 ¹⁵ / ₁₆	103 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Hongk'g. & Shang. \$25		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
93 ¹⁵ / ₁₆	83 ¹⁵ / ₁₆	Funding 3 1/2%	1966-68	93 ¹⁵ / ₁₆	93 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Nat. Com. Bk. Scot. £10		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
94 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	Conversion 3 1/2%	1969	94 ¹⁵ / ₁₆	94 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Standard Bank		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
92 ¹⁵ / ₁₆	82 ¹⁵ / ₁₆	Funding 3 1/2%	1959-69	92 ¹⁵ / ₁₆	92 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Hambros		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
98 ¹⁵ / ₁₆	92 ¹⁵ / ₁₆	Victory 4 1/2%	1920-76	98 ¹⁵ / ₁₆	98 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Schroders		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
78 ¹⁵ / ₁₆	78 ¹⁵ / ₁₆	Savings Bonds 3 1/2%	1960-70	78 ¹⁵ / ₁₆	78 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Union Discount		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
109 ¹⁵ / ₁₆	97 ¹⁵ / ₁₆	Conversion 6 1/2%	1971	109 ¹⁵ / ₁₆	109 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Bowmaker		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
103 ¹⁵ / ₁₆	90 ¹⁵ / ₁₆	Conversion 5 1/2%	1972	103 ¹⁵ / ₁₆	103 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	United Domains Tst.		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
105 ¹⁵ / ₁₆	91 ¹⁵ / ₁₆	Conversion 5 1/2%	1974	105 ¹⁵ / ₁₆	105 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Breweries, Etc.		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
95 ¹⁵ / ₁₆	87 ¹⁵ / ₁₆	Funding 4 1/2%	1960-90	95 ¹⁵ / ₁₆	95 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Bass, M. & B.		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
83 ¹⁵ / ₁₆	70 ¹⁵ / ₁₆	Savings Bonds 3 1/2%	1965-75	83 ¹⁵ / ₁₆	83 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Charrington United		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
82 ¹⁵ / ₁₆	69 ¹⁵ / ₁₆	Treasury 3 1/2%	1977-80	82 ¹⁵ / ₁₆	82 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Distillers		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
81 ¹⁵ / ₁₆	68 ¹⁵ / ₁₆	Treasury 3 1/2%	1978-81	81 ¹⁵ / ₁₆	81 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Guinness		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
103 ¹⁵ / ₁₆	90 ¹⁵ / ₁₆	Funding 5 1/2%	1982-84	103 ¹⁵ / ₁₆	103 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Harveys		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
93 ¹⁵ / ₁₆	82 ¹⁵ / ₁₆	Treasury 5 1/2%	1986-89	93 ¹⁵ / ₁₆	93 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Ind. Coopers, T.A.		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
66 ¹⁵ / ₁₆	54 ¹⁵ / ₁₆	Redemption 3 1/2%	1986-96	66 ¹⁵ / ₁₆	66 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Watney Mann		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
69 ¹⁵ / ₁₆	56 ¹⁵ / ₁₆	Funding 3 1/2%	1999-2004	69 ¹⁵ / ₁₆	69 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Whitbread 'A'		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
96 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	Treasury 5 1/2%	2008-12	96 ¹⁵ / ₁₆	96 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Associated Portland		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
69 ¹⁵ / ₁₆	58 ¹⁵ / ₁₆	Consols 4 1/2% after Feb. 1957	1957-68	69 ¹⁵ / ₁₆	69 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	British Plaster Bd.		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
62 ¹⁵ / ₁₆	52 ¹⁵ / ₁₆	War Loan 3 1/2% after 1952	1952-61	62 ¹⁵ / ₁₆	62 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Richard Costain		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
52 ¹⁵ / ₁₆	43 ¹⁵ / ₁₆	Conv. 3 1/2% after Apr. 1961	1961-65	52 ¹⁵ / ₁₆	52 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Crittall Mfg.		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
51 ¹⁵ / ₁₆	42 ¹⁵ / ₁₆	Treasury 3 1/2% after Apr. 1966	1966-70	51 ¹⁵ / ₁₆	51 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	International Paints		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
45 ¹⁵ / ₁₆	38 ¹⁵ / ₁₆	Consols 2 1/2%	1974-77	45 ¹⁵ / ₁₆	45 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Rugby Portland		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
44 ¹⁵ / ₁₆	38 ¹⁵ / ₁₆	Treasury 2 1/2% after Apr. 1975	1975-79	44 ¹⁵ / ₁₆	44 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Wall Paper		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
100 ¹⁵ / ₁₆	89 ¹⁵ / ₁₆	British Electric 4 1/2%	1967-69	100 ¹⁵ / ₁₆	100 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	CHEMICAL		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
86 ¹⁵ / ₁₆	74 ¹⁵ / ₁₆	British Electric 3 1/2%	1968-73	86 ¹⁵ / ₁₆	86 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Albright & Wilson		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
90 ¹⁵ / ₁₆	79 ¹⁵ / ₁₆	British Electric 4 1/2%	1974-77	90 ¹⁵ / ₁₆	90 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Borax Defd.		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
83 ¹⁵ / ₁₆	70 ¹⁵ / ₁₆	British Electric 3 1/2%	1976-79	83 ¹⁵ / ₁₆	83 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Fisons		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
95 ¹⁵ / ₁₆	82 ¹⁵ / ₁₆	British Gas 4 1/2%	1968-72	95 ¹⁵ / ₁₆	95 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	ICI		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
92 ¹⁵ / ₁₆	80 ¹⁵ / ₁₆	British Gas 3 1/2%	1969-71	92 ¹⁵ / ₁₆	92 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	Monsanto		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
66 ¹⁵ / ₁₆	53 ¹⁵ / ₁₆	British Gas 3 1/2%	1990-95	66 ¹⁵ / ₁₆	66 ¹⁵ / ₁₆	£ 5.00	£ 5.00	100 ¹⁵ / ₁₆	61 ¹⁵ / ₁₆	6 1/2 b	6 1/2 a	DRAPERY & STORES		85 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3.08	...
86 ¹⁵ / ₁₆	74 ¹⁵ / ₁₆	British Transport 3 1/2%															

Hallmark Securities

HALLMARK SECURITIES is linked with Sun Life Assurance and as a result it has recently concentrated its developments on commercial and shop property. The chairman, Mr Sydney Bloch, says that the fruits of this association are now being harvested. This, however, was not the case in the year to end April when gross profits rose from £721,000 to £873,000. This increase was largely offset by sharply higher interest charges so that net profits rose by only £25,000 to £313,000. Earlier this year the 1s. shares fell back to 18s. on reports of some slowing down in house sales along the South Coast. But now the shares are back to 23s. 4½d., for if the trading results were none too impressive there is plenty of compensation in a dividend of 6½ per cent (against the equivalent of 49.6 per cent). Moreover, this is supplemented by a special payment of 7½ per cent as compensation for dividend restraint in 1960-61. The ordinary capital is to be doubled by a one-for-one issue to over £1 million, one necessary qualification for trustee status. On the doubled capital Mr Bloch forecasts a dividend of not less than 33½ per cent, but with the shares currently yielding only 2.9 per cent, covered 1.7 times, there will be disappointment if this forecast is not surpassed. Hallmark may well achieve better results in the current year. Apart from any benefits arising from the Sun Life link, interest charges should not be so heavy and with mortgages easier to obtain Mr Bloch sees signs of an upturn in demand for houses.

Copper Dividends

THE highlight of the Rhodesian copper company results for the year to June 30th is the unexpected increase to 7s., before Rhodesian taxes, in the dividend of Rhodesian Selection Trust. A dividend of 6s. had been forecast at the time of the merger with Roan Antelope. After falling early in the year, copper shares are now about 13 per cent above the low point touched in June. Even so, RST gained a further 1s. 6d. to 31s. 3d. following the dividend announcement and now yield 13.4 per cent, net of Rhodesian tax. Including £2,970,000 from Roan, RST's gross profit has risen from £7,742,000 to £12,352,000. The net profit of Mufulira, reflecting expanded production at lower cost, rose from £4,194,000 to £4,969,000 and its dividend has been raised from 6s. to 8s. 6d. a share. RST holds about 65 per cent of Mufulira's capital.

In the Anglo American group Rhokana has maintained its dividend at 7s., net of Rhodesian taxes. Its gross profits were practically unchanged at £9,617,000, against £9,507,000, but its investment income fell because Mufulira and Bancroft reduced

COMPANY AFFAIRS

their 1960-61 payments. Rhokana's net income was therefore slightly lower at £10,767,000 against £10,956,000. The agreed curtailment in Rhokana's sales affects profits in the same way as a straightforward cut in output, as stocks are brought into the accounts at cost and it looks as if expanded capacity has offset this restriction of sales. At 47s. 9d., Rhokana yields 14½ per cent.

Bancroft produced the shock of the dividend season by halving its payment to 4½d., net of Rhodesian tax. The mine pays no tax and therefore the sharp drop in operating profits, from £2,745,000 to £2,122,000, is fully reflected in equity earnings. The capital expenditure appropriation has been maintained so that the cut in earnings is borne entirely by ordinary and participating preference shareholders. Bancroft's units dropped to a new low point of 7s. 9d. after the results.

Rhodesian Anglo American, whose income will be affected in the current year by the cut in Bancroft's payment, reported an increase in net profits from £9,356,000 to £9,514,000 and has maintained its payment at 8s. a share, net of Rhodesian tax. The net yield at the current price of 58s. 3d. is 13½ per cent. Because of the hitch in the payment of dividends by Union Minière, the net profit of Tanganyika Concessions in the year to July 31st slumped from £3,296,000 to £875,000 and its dividend has been cut from 3s. 3d. to 9d. per share.

Wright's Biscuits

THE name of Wright's Biscuits is now something of a misnomer for while the company owns two modern biscuit factories its real strength lies in its retail grocery interests. The group had 750 shops at the end of June; in addition, it has a 36 per cent holding in Moores Stores, which following its merger with Thrift Stores and the earlier acquisition of 102 Mence Smith stores from Timothy Whites now owns about 1,100 stores. Mr W. P. Webster, the chairman, says that the integration of Thrift Stores into the Moores group should bring considerable advantages for Wright's. The stake in Moores is worth about 20s. per Wright's share, now standing at 32s. 6d.

This puts only a modest value on Wright's trading prospects. In the year to June 30th Wright's trading profits after depreciation rose from £508,000 to £663,000 and the chairman expects continuing progress in the current year though not at such a rapid rate as in 1961-62. In the longer term the improvements now being made to manufacturing plant and to retail shops should add to profits. These will include the conversion of stores to self-service as well as three supermarkets. But in view of the capital expenditure involved and of evidence in some parts of the country that supermarkets are running ahead of customers Wright's penetration into this

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branch of retailing is likely to be cautious. Only 31 of its stores had been converted to self-service by June this year. The company's profit record and the market's assessment of the shares, which puts them on a yield of 3½ per cent, suggest that the right balance between adventure and caution has been attained.

Greenall Whitley

BREWERY take-over prospects are much fewer than they were two years ago, before Mr E. P. Taylor's brewery group, Charrington United, swallowed so many of them. Greenall Whitley would fit Charrington United's quest for new outlets for it trades largely in Lancashire and Cheshire, where Charrington United is weak. Rumours of a possible bid gained fresh currency last week on the resignation of Mr Edward Greenall from the board. The Greenall and Whitley families together could block any unwelcome take-over attempt, for they hold the bulk of the £300,000 of "A" ordinary capital carrying some 24 million votes, compared with 14.2 million votes controlled by £3.6 million of ordinary capital. The possibility of a bid has brought the 5s. ordinary shares up this year from 24s. 1½d. to 39s., which includes the 2s. 3d. gained this week on the preliminary results of a property revaluation.

Early publication of these results may reflect the wish of the directors to justify the high price of the shares and possibly to deter any would-be bidder. The surveyor's report values the 1,800 public houses at £25½ million, compared with a written down value of £10 million. The surplus is equivalent to about 20s. per ordinary share and brings their break-up value up to 35s. But it is a surplus that can only be effectively released by a bid. And the yield of 2½ per cent is not justified unless Mr Taylor or someone else is prepared to pay what looks like a high price for further trading outlets. Mr Taylor has paid high prices before.

THE ECONOMIST INDICATOR (1953=100)					
1962	Indicator	Yield %	1962		
Sept. 5	328.5	5.21			
" 12	326.6	5.25	High		
" 19	326.1	5.28			
" 26	325.1	5.29	364.1		310.3
Oct. 3	333.8	5.16	(Jan. 17)		(June 27)
" 10	334.2	5.16			

FINANCIAL TIMES INDICES				
1962	Index †	Ord. Yield	2½% Consols Yield	Bargains Marked
Oct. 4	278.7	5.59	5.58	8,748
" 5	279.6	5.57	5.60	10,978
" 8	279.4	5.58	5.66	13,859
" 9	275.8	5.65	5.71	11,926
" 10	276.0	5.61	5.64	10,794

High, 310.2 (Jan. 19). Low, 252.8 (June 25)
† July 1, 1955=100.

EXCHEQUER RETURNS

For the week ended October 6, 1962, there was an "above-line" deficit (after allowing for sinking funds) of £7,463,000 compared with a deficit of £45,729,000 in the previous 8 days and a surplus of £7,900,000 in the corresponding period of last year. There was a net expenditure "below-line" of £9,924,000 leaving a total cumulative deficit to date of £526,700,000 compared with £644,242,000 in 1961-62.

£'000	Estimate 1962-63	April 1, 1961, to Oct. 7, 1961	April 1, 1962, to Oct. 6, 1962	Week ended Oct. 7, 1961	Week ended Oct. 6, 1962
Ordinary Revenue					
Income Tax	2,790,000	815,022	883,952	27,621	38,238
Surplus	188,000	44,200	48,900	1,300	1,100
Death Duties	264,500	136,500	133,600	3,600	3,800
Stamps	95,000	52,800	49,600	1,500	1,700
Profits tax, EPT and EPL	374,000	183,000	209,900	5,400	8,000
Other Inland Rev. Duties	...	...	...	...	...
Total Inland Rev.	3,711,500	1,231,522	1,325,952	39,421	52,838
Customs	1,653,000	833,499	857,934	35,317	32,725
Excise	1,077,000	483,135	510,275	6,250	7,830
Total Customs and Excise	2,730,000	1,316,634	1,368,209	41,567	40,555
Motor Duties	150,000	31,600	49,851	446	595
Broadcast Lic.	41,000	14,200	15,200	11,532	8,369
Miscellaneous	165,000	132,929	84,806	...	...
Total	6,797,500	2,726,885	2,844,018	92,966	102,357
Ordinary Expenditure					
Debt Interest	600,000	396,362	343,834	...	...
Payments to N. Ireland Exch.	100,000	45,067	48,920	3,352	3,512
P.O. Fund—Initial settlement	...	...	...	...	...
Other Consolidated Funds	12,000	4,153	4,362	13	22
Supply Services	5,611,650	2,596,344	2,783,284	80,500	105,500
Total	6,323,650	3,041,926	3,180,400	83,865	109,034
Sinking Funds	41,000	19,991	20,489	1,201	786
"Above-line" Surplus or Deficit		335,032	356,871	7,900	7,463
"Below-line" Net Expenditure		309,210	169,829	38,790	9,924
Total Surplus or Deficit		644,242	526,700	46,690	17,387
Net receipts from:					
Tax Reserve Certificates	137,172	91,843	30,496	14,853	
Savings Certificates	17,800	1,200	1,300	200	
Defence Bonds	18,261	7,440	2	633	
Premium Savings Bonds	21,600	18,300	400	600	
Total	163,233	116,383	29,598	16,286	

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

FLOATING DEBT

(£ million)

	Treasury Bills	Ways and Means Advances	Public Debt	Bank of England	Total Floating Debt
1961					
Oct. 7	3,240.0	1,998.1	207.2	...	5,445.3
1962					
July 7	2,990.0	1,980.0	230.3	6.3	5,206.6
" 14	2,990.0	2,015.7	230.0	2.5	5,238.2
" 21	2,980.0	2,018.0	218.4	2.0	5,218.4
" 28	2,980.0	2,050.5	241.7	1.0	5,273.2
Aug. 4	2,980.0	2,012.5	227.3	...	5,219.9
" 11	3,000.0	1,983.6	225.1	0.3	5,208.9
" 18	3,000.0	2,009.3	240.1	5.5	5,254.9
" 25	3,000.0	2,053.1	203.8	0.3	5,257.1
Sept. 1	3,000.0	2,078.5	210.9	...	5,289.4
" 8	2,990.0	1,637.9	211.6	...	4,839.4
" 15	2,990.0	1,683.6	226.2	...	4,899.8
" 22	2,980.0	1,699.2	220.2	...	4,899.4
" 29	3,000.0	1,745.9	215.6	...	4,961.5
Oct. 6	3,020.0	1,572.9	220.5	...	4,813.5

Money and Exchanges

THE MONEY MARKET

IN anticipation of a higher demand for bills from the banks following Monday's release of special deposits the discount market was clearly anxious not to run down its portfolio, and at last Friday's Treasury bill tender it again raised its bid—by 1d. to £99 1s. 11d. The average rate of discount fell a further 4.29d. to £3 12s. 4.13d. The market's allotment, however, fell from 51 to 37 per cent and only £220 million of the £250 million of bills on offer were allotted. The reduced allotment reflected the full market subscription of the 4 per cent Treasury Stock 1965. Total applications for bills rose by £8 million to £415 million.

Credit continued tight in Lombard Street at the end of last week with heavy calling from the banks as a result partly of the delayed effects of the rail strike and partly of the subscriptions to the Treasury and Liverpool issues. But the authorities were prepared to give a very large amount of help both on Thursday and Saturday. On Monday the release of the first half of special deposits helped the market and credit was in ample supply. The authorities sold back a small amount of bills to absorb surplus funds. Since then houses have continued to be comfortably placed.

MONEY RATES

LONDON	
Bank rate (from 5% 26/4/62)	4½
Market discount rates (3 months):	
Treasury bills	3½-1½
Bank bills	3½-1½
Commercial bills	3½-1½
Deposits rates (7 days' notice):	
Bank deposits	2½-2½
Commercial deposits	2½-2½
Discount houses	2½-2½
Local Authorities	4½
Call money banks' minimum	2½
Day-to-day	2½-3½
Forward cover (3 months):	
Annual interest cost, US dollar	23½

NEW YORK	
Official Discount rate (from 3½% 11/8/60)	3
Treasury bills:	
October 1	2.752
October 8	2.760

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

Effective Limits		Market Rates: Spot					
	October 10	October 4	October 5	October 6	October 8	October 9	October 10
United States \$	2.78-2.82	2.80½-3.16	2.80½-3.16	2.80½-3.16	2.80½-3.16	2.80½-3.16	2.80½-3.16
Canadian \$	13.622-14.027	3.01½-3.16	3.01½-3.16	3.01½-3.16	3.01½-3.16	3.01½-3.16	3.01½-3.16
French Fr.	11.94-12.547	13.72½-14.027	13.72½-14.027	13.72½-14.027	13.72½-14.027	13.72½-14.027	13.72½-14.027
Swiss Fr.	137.96	12.11½-12.54	12.11½-12.54	12.11½-12.54	12.11½-12.54	12.11½-12.54	12.11½-12.54
Belgian Fr.	142.05	139.30	139.30	139.30	139.30	139.30	139.30
Dutch Gld.	9.98½-10.28½	10.07½-10.37	10.07½-10.37	10.07½-10.37	10.07½-10.37	10.07½-10.37	10.07½-10.37
W. Ger. D-Mk.	11.037-11.365	11.21½-11.51	11.21½-11.51	11.21½-11.51	11.21½-11.51	11.21½-11.51	11.21½-11.51
Portug. Esc.	1725-1775	80.15-25	80.15-25	80.15-25	80.15-25	80.15-25	80.15-25
Italian Lire	14.27½-14.70	1739½-1775	1739½-1775	1739½-1775	1739½-1775	1739½-1775	1739½-1775
Swedish Kr.	19.06½-19.62	14.42½-14.70	14.42½-14.70	14.42½-14.70	14.42½-14.70	14.42½-14.70	14.42½-14.70
Danish Kr.	19.71-20.30½	19.38½-19.62	19.38½-19.62	19.38½-19.62	19.38½-19.62	19.38½-19.62	19.38½-19.62
Norwegian Kr.	...	20.02½-20.30	20.02½-20.30	20.02½-20.30	20.02½-20.30	20.02½-20.30	20.02½-20.30
* Official Limits							
One Month Forward Rates							
United States \$	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
Canadian \$	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
French Fr.	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
Swiss Fr.	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
Belgian Fr.	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
Dutch Gld.	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
W. German D-Mk.	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
Three Months Forward Rates							
United States \$	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
Canadian \$	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
French Fr.	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
Swiss Fr.	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
Belgian Fr.	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
Dutch Gld.	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
W. German D-Mk.	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
Gold Price at Fixing							
Price (s. d. per fine oz.)	250/9¼	250/10	...	250/9¼	250/9¼	250/9¼	250/9¼
(\$)	35.13	35.13½	...	35.13	35.13	35.13	35.13½

Industrial Profits and Assets

The tables below continue the analysis of company balance sheets and profit and loss accounts which was introduced in *The Economist* of January 22, 1949; the figures are discussed on an earlier page in this issue.

Comparative analysis of 480 profit and loss accounts published July - September, 1962 (£'000)

Industry	Breweries, Distilleries and Wine		Building		Paper and Packaging		Chemicals and Paint		Clothing and Footwear		Electrical Manufacturing		Engineering		Entertainment	
No. of Companies	(17)	(17)	(47)	(47)	(2)	(2)	(9)	(9)	(16)	(16)	(22)	(22)	(75)	(75)	(13)	(13)
	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Gross trading profit	53,209	56,800	25,248	28,194	1,538	1,464	3,338	3,699	4,173	4,529	26,375	30,048	39,215	30,030	30,026	30,026
Investment and other income	3,016	3,413	720	657	8	4	119	149	70	87	24,910	26,375	30,048	30,030	30,026	30,026
Total income	56,225	60,213	25,968	28,851	1,546	1,468	3,457	3,848	4,243	4,616	25,432	26,931	39,380	40,500	32,221	32,661
Depreciation	5,554	7,623	6,801	7,569	251	281	717	853	526	598	5,928	6,870	8,143	8,686	5,412	6,094
Directors' emoluments	801	868	1,417	1,497	153	85	198	223	294	294	670	730	2,309	2,402	486	494
Other charges	349	1,183	1,307	1,180	9	145	37	41	151	111	2,840	2,462	3,568	2,342	916	966
Loan interest	1,642	1,907	340	381	33	69	37	54	122	119	1,512	1,718	982	1,038	1,219	1,456
Profit before tax	47,879	48,632	16,103	18,224	1,100	888	2,498	2,677	3,176	3,494	14,482	15,151	24,378	26,032	24,188	23,651
Income tax	18,535	18,399	7,021	7,448	386	349	957	988	1,258	1,309	5,366	4,953	10,201	10,877	8,653	8,090
Profits tax	5,265	6,563	1,900	2,335	110	118	288	342	382	491	1,821	2,199	3,032	3,679	2,492	2,699
Minority interests	576	36	252	355	19	19	13	14	66	39	388	394	419	435	408	451
Preference dividends	540	568	290	298	19	19	13	14	66	39	388	394	419	435	408	451
Net equity earnings	22,963	23,066	6,640	7,788	585	402	1,240	1,281	1,465	1,641	6,570	7,266	10,534	10,774	11,414	11,884
Less Ordinary dividends	11,448	13,204	3,160	3,542	248	235	637	653	542	652	2,525	3,081	6,413	6,747	4,619	5,154
Plus Non-recurring credits	892	151	813	542	2	21	58	29	301	23	317	488	1,072	1,936	140	329
Retained earnings	12,407	10,013	4,293	4,788	339	188	661	657	1,224	1,012	4,362	4,673	5,193	5,963	6,935	7,059
Dividend Cover	2.0	1.7	2.1	2.2	2.4	1.7	1.9	2.0	2.7	2.5	2.6	2.4	1.6	1.6	2.5	2.3

Industry	Property		Food and Confectionery		Iron and Steel		Motors, Cycles and Aircraft		Newspapers and Printing		Oil		Shipbuilding		Shipping	
No. of Companies	(42)	(42)	(21)	(21)	(10)	(10)	(16)	(16)	(14)	(14)	(3)	(3)	(3)	(3)	(7)	(7)
Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Gross trading profit	13,997	16,137	33,364	35,294	12,439	9,423	8,146	9,038	10,127	10,741	1,885	2,336	6,453	6,309	5,715	4,404
Investment and other income	6,177	6,818	349	321	149	83	102	85	409	423	150	16	418	493	1,036	948
Total income	20,176	22,955	33,713	35,615	12,588	9,506	8,248	9,123	10,536	11,164	2,035	2,352	6,871	6,802	6,751	5,352
Depreciation	2,077	2,213	8,430	9,318	3,474	3,704	1,438	1,584	2,147	2,579	500	510	1,183	1,494	4,405	4,713
Directors' emoluments	345	350	1,092	1,162	404	469	356	374	580	597	70	81	109	126	176	176
Other charges	1,262	1,488	790	1,019	303	352	115	188	235	338	48	16	14	230	74	69
Loan interest	2,879	3,524	764	819	913	926	73	131	152	187	122	202	...	...	65	65
Profit before tax	13,613	15,380	22,637	23,297	7,489	4,055	6,266	6,846	7,422	7,463	1,295	1,543	5,565	4,952	2,031	329
Income tax	5,213	5,846	8,216	8,285	2,490	1,932	2,427	2,552	3,141	2,819	554	726	2,237	2,078	345	84
Profits tax	1,064	1,443	2,587	3,145	857	683	746	961	809	1,160	153	81	594	669	42	9
Minority interests	448	390	242	208	39	32	Dr. 1	3	420	509	...	1	122	119	131	72
Preference dividends	285	285	702	742	58	58	152	82	143	143	...	...	88	109	98	98
Net equity earnings	6,603	7,416	10,890	10,917	4,045	1,350	2,942	3,248	2,909	2,832	588	735	2,524	1,977	1,415	66
Less Ordinary dividends	4,974	5,658	5,127	5,749	1,829	1,244	1,271	1,379	1,252	1,316	550	590	1,094	1,010	798	653
Plus Non-recurring credits	452	820	845	971	144	1,216	163	235	93	132	210	275	...	137	180	648
Retained earnings	2,081	2,578	6,608	6,139	2,360	1,322	1,834	2,104	1,750	1,648	248	420	1,430	1,104	797	61
Dividend Cover	1.3	1.3	2.1	1.9	2.2	1.1	2.3	2.4	2.3	2.2	1.1	1.2	2.3	2.0	1.8	...

Industry	Shops and Stores		Cotton		Silk, Rayon and other Textiles		Wool		Tobacco		Miscellaneous Manufacturing		Miscellaneous—Others		TOTALS ALL GROUPS	
No. of Companies	(14)	(14)	(8)	(8)	(15)	(15)	(13)	(13)	()	()	(72)	(72)	(41)	(41)	480 Companies	
Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Gross trading profit	41,977	43,358	4,497	2,828	6,857	6,850	4,172	3,979	...	...	45,133	45,548	25,877	26,391	401,135	412,938
Investment and other income	447	570	68	81	138	129	119	101	...	...	972	1,067	2,405	2,399	20,917	22,320
Total income	42,424	43,928	4,565	2,909	6,995	6,979	4,291	4,080	...	...	46,105	46,615	28,282	28,790	422,052	435,258
Depreciation	3,438	3,909	942	1,055	1,402	1,539	504	544	...	...	8,282	8,986	6,487	7,027	78,041	87,749
Directors' emoluments	558	639	214	198	486	487	336	347	...	...	1,981	2,128	1,266	1,392	14,375	15,119
Other charges	790	461	87	108	88	262	199	99	...	...	759	1,030	1,223	1,405	15,139	15,495
Loan interest	1,174	867	76	68	87	63	5	5	...	...	680	659	260	258	13,137	14,516
Profit before tax	36,464	38,052	3,246	1,480	4,932	4,628	3,247	3,085	...	...	34,403	33,812	19,046	18,708	301,460	302,379
Income tax	14,795	15,008	1,157	704	1,827	1,773	1,287	1,256	...	...	13,226	12,901	7,675	7,050	116,967	115,427
Profits tax	4,480	5,380	349	183	629	707	409	463	...	...	3,880	4,636	1,763	2,050	33,652	39,996
Minority interests	534	495	24	43	17	50	15	11	...	...	441	521	736	668	5,751	6,426
Preference dividends	559	571	130	130	181	181	39	39	...	...	579	599	526	526	5,683	5,857
Net equity earnings	16,096	16,598	1,586	420	2,278	1,917	1,497	1,316	...	...	16,277	15,155	8,346	8,414	139,407	136,463
Less Ordinary dividends	8,271	8,694	774	628	888	961	836	845	...	...	8,303	8,452	4,047	4,418	69,406	74,845
Plus Non-recurring credits	1,749	2,703	92	326	38	63	49	16	...	...	727	831	940	405	9,277	12,299
Retained earnings	9,574	10,607	904	118	1,428	1,019	710	487	...	...	8,701	7,534	5,239	4,401	79,078	73,895
Dividend Cover	1.9	1.9	2.0	0.7	2.6	2.0	1.8	1.6	...	...	2.0	1.8	2.1	1.9	2.0	1.8

Comparative analysis of 480 balance sheets published July - September, 1962 (£'000)

	Industry No. of Companies		Breweries, Distil- eries and Wine (17)		Building (47)		Paper and Packaging (2)		Chemicals and Paint (9)		Clothing and Footwear (16)		Electrical Manufacturing (22)		Engineering (75)		Entertainment (13)	
	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Fixed assets	184,133	238,634	100,943	111,972	7,010	7,664	12,802	15,286	9,414	11,189	95,454	106,214	144,973	157,456	159,115	174,256	159,115	174,256
Less depreciation	44,697	49,968	42,483	47,229	1,659	1,879	5,518	6,222	3,628	4,167	38,680	43,066	53,787	59,289	41,560	45,762	41,560	45,762
Net fixed assets	139,436	188,666	58,460	64,743	5,351	5,785	7,284	9,064	5,786	7,022	56,774	63,148	91,186	98,167	117,555	128,494	117,555	128,494
Trade investments	19,556	21,065	4,546	5,504	...	...	606	436	503	222	4,927	6,393	8,709	8,512	13,247	17,899	13,247	17,899
Intangible assets	2,541	1,215	1,324	1,316	...	...	1,063	1,062	491	815	338	7,403	3,741	3,817	10,782	11,428	10,782	11,428
Stocks	112,700	125,139	48,130	51,559	1,339	1,283	4,532	5,021	7,795	8,550	99,285	110,387	103,184	107,425	22,559	23,334	22,559	23,334
Debtors	42,248	44,513	52,991	62,132	1,495	1,660	5,938	7,078	4,558	5,525	61,558	69,424	76,504	85,555	17,094	18,409	17,094	18,409
Gift-edged	491	500	577	585	...	...	106	106	29	29	24	24	384	253	356	356	356	356
Cash	10,518	33,135	8,272	8,534	310	267	2,468	2,574	1,435	1,509	5,540	6,146	14,588	11,492	14,837	12,394	14,837	12,394
Other investments	1,354	1,154	1,149	1,189	...	...	129	123	...	17	228	144	2,569	1,980	103	29	1,980	103
Creditors	24,826	27,269	43,090	49,959	1,139	983	4,307	4,977	3,737	4,481	46,003	52,856	53,606	52,466	22,336	22,508	22,336	22,508
Other current liabilities	20,443	22,560	9,123	10,540	676	743	1,063	1,074	1,555	1,924	9,828	15,032	16,198	17,115	13,980	12,180	13,980	12,180
Bank overdrafts and loans	3,019	3,629	15,643	17,988	835	29	1,289	1,886	1,693	1,961	22,264	27,232	18,020	24,278	12,372	13,436	12,372	13,436
Net current assets	119,023	150,983	43,263	45,512	494	1,455	6,514	6,965	6,832	7,264	88,540	91,005	109,405	112,846	6,261	6,398	6,261	6,398
Total net assets	280,556	361,929	107,593	117,075	5,845	7,240	15,467	17,527	13,612	15,323	150,579	167,949	213,041	223,342	147,845	164,219	147,845	164,219
Financed by :-																		
Reserve for future income tax	19,744	20,239	7,084	7,271	658	654	1,190	1,232	1,356	1,336	6,355	5,961	12,158	12,375	12,144	12,238	12,144	12,238
Capital reserves	31,741	75,687	8,567	11,239	101	106	1,515	2,044	985	1,677	18,705	25,881	26,577	29,083	19,904	9,557	19,904	9,557
Revenue reserves	39,823	47,102	35,586	39,006	1,572	1,756	4,529	5,166	4,050	4,780	49,343	51,457	53,363	70,264	29,203	30,204	29,203	30,204
Minority interests	6,220	5,418	2,618	3,207	...	...	532	604	101	132	2,056	4,122	2,137	2,302	17,640	9,174	17,640	9,174
Loan capital	34,978	48,539	7,430	7,006	673	1,883	446	1,288	320	304	30,525	30,967	17,259	18,209	24,675	29,867	24,675	29,867
Preference capital	15,807	16,500	7,943	7,943	531	31	377	386	1,109	980	10,927	10,944	12,726	13,140	13,823	19,598	13,823	19,598
Ordinary capital	132,243	148,444	38,365	41,403	2,310	2,310	6,678	6,807	5,791	6,112	32,668	38,617	75,627	77,969	20,456	36,481	20,456	36,481
Securities held during year	17,737	1,020	1,996	1,212	262	...	964	60	1,062	70	1,766	650	3,471	2,058	416	13,459	416	13,459

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ECONOMIST

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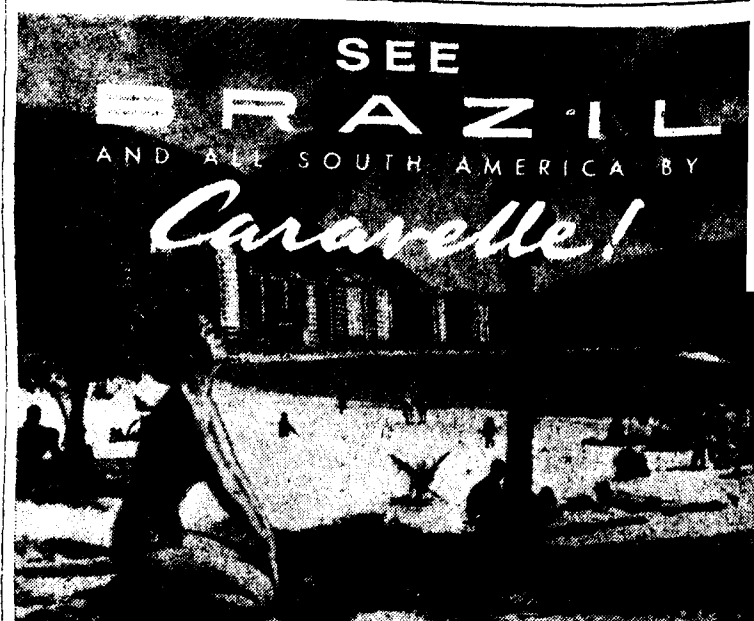


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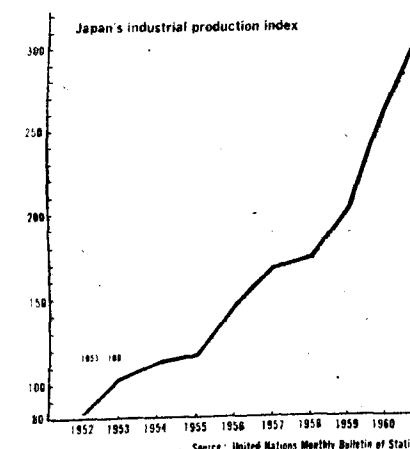
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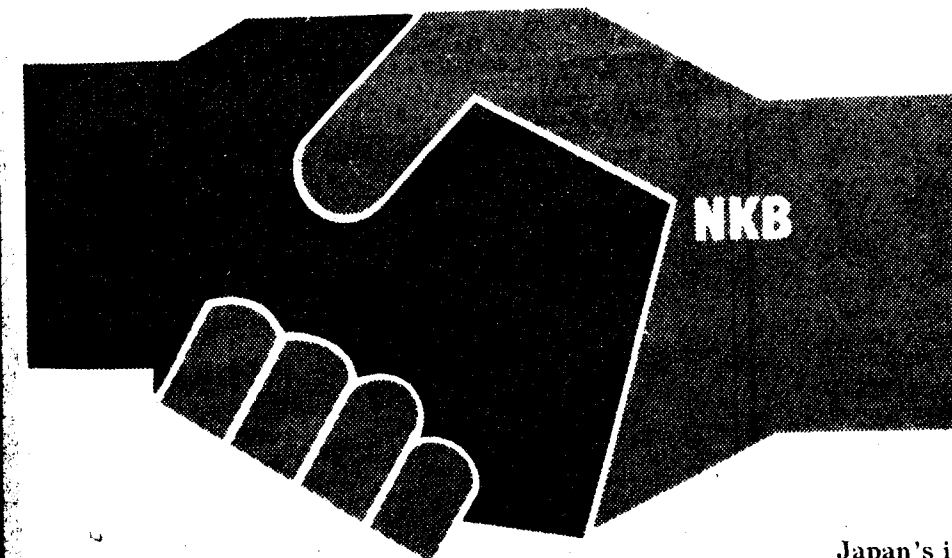


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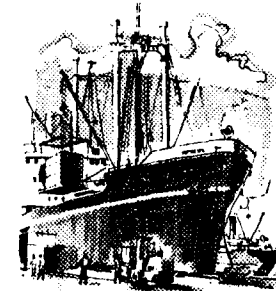
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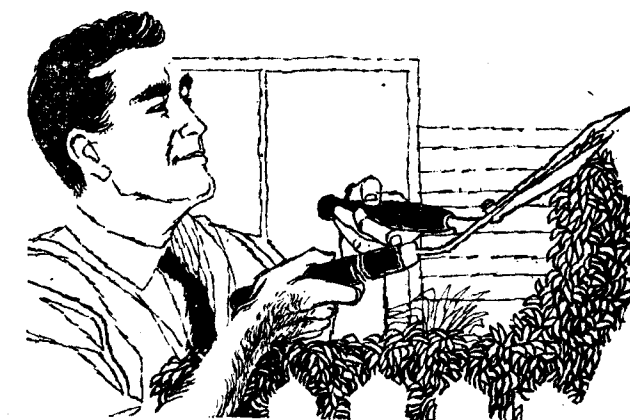
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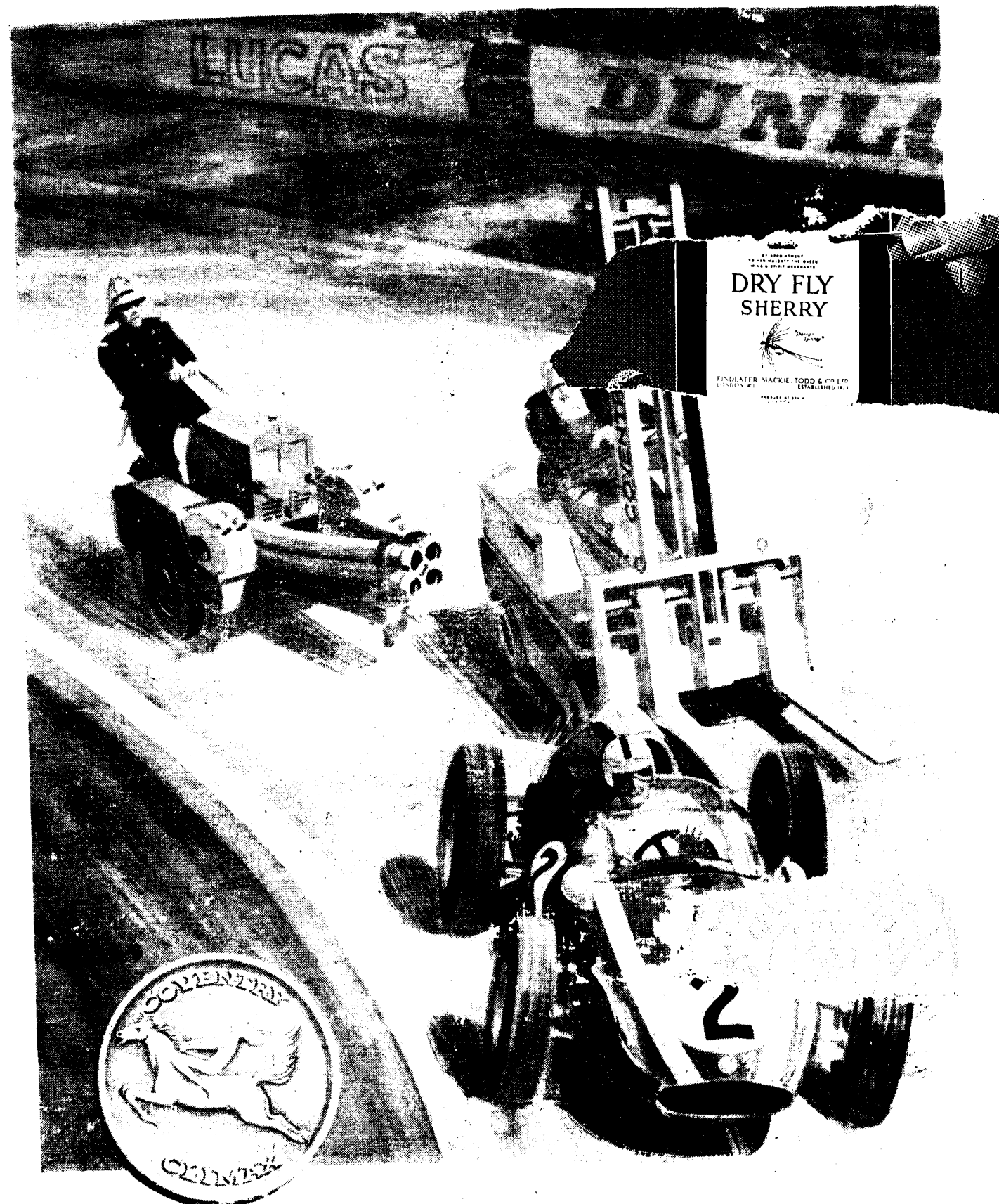


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