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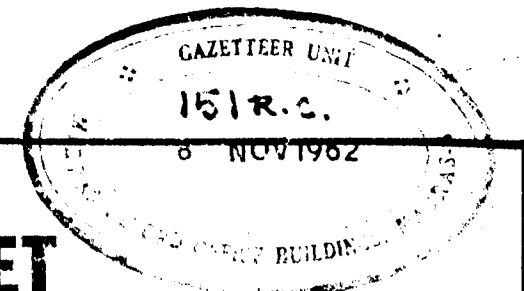
The Economist

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7.45 a.m.	7.20 p.m.	↓ King's Cross	↑ 10.5 a.m.	8.42 p.m.	
10.30 a.m.	10.5 p.m.	Sheffield	7.20 a.m.	5.42 p.m.	
7.45 a.m.	5.25 p.m.	↓ King's Cross	↑ 10.30 a.m.	8.42 p.m.	
11.2 a.m.	8.40 p.m.	Leeds	7.30 a.m.	5.29 p.m.	

See your timetable for full details.

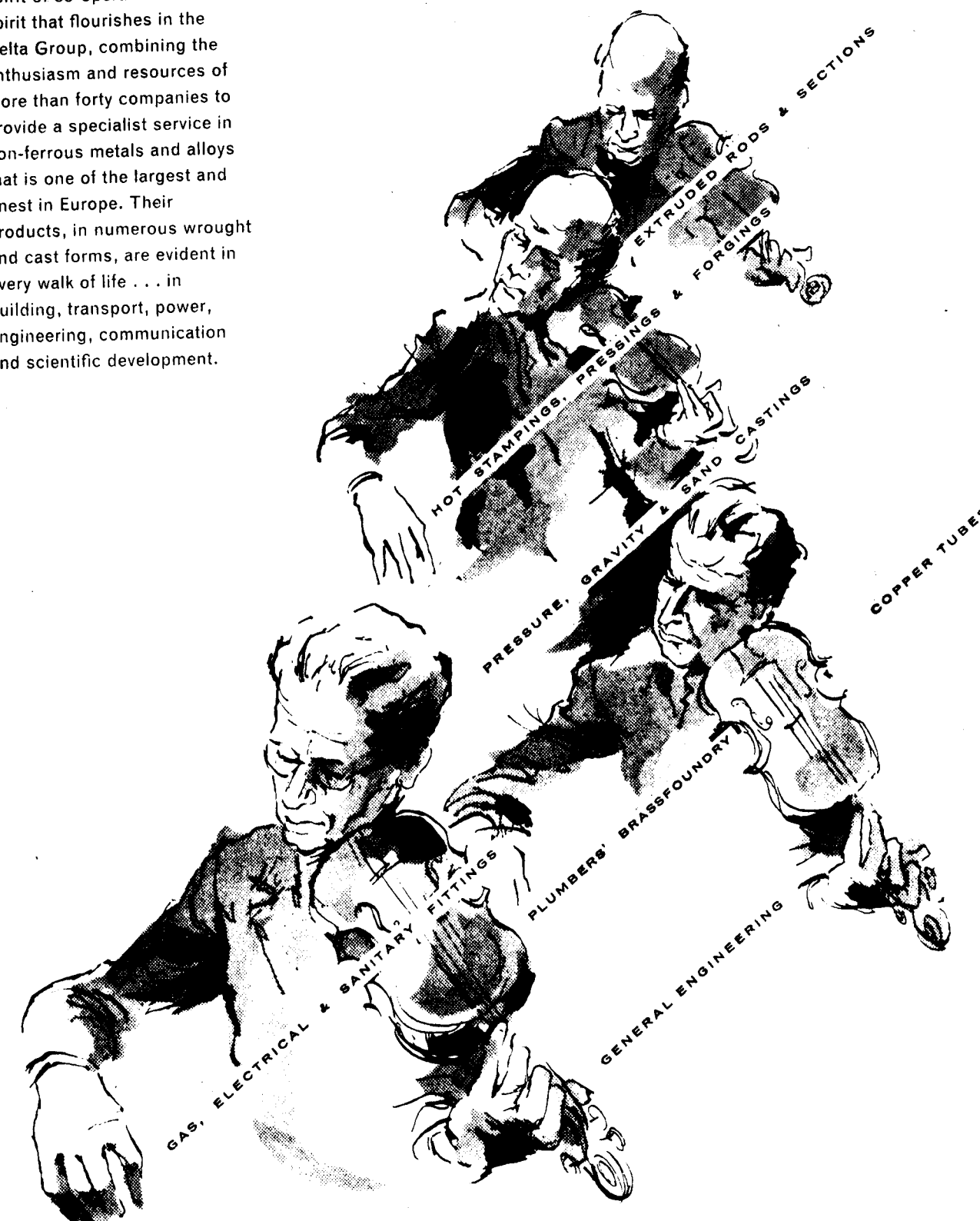
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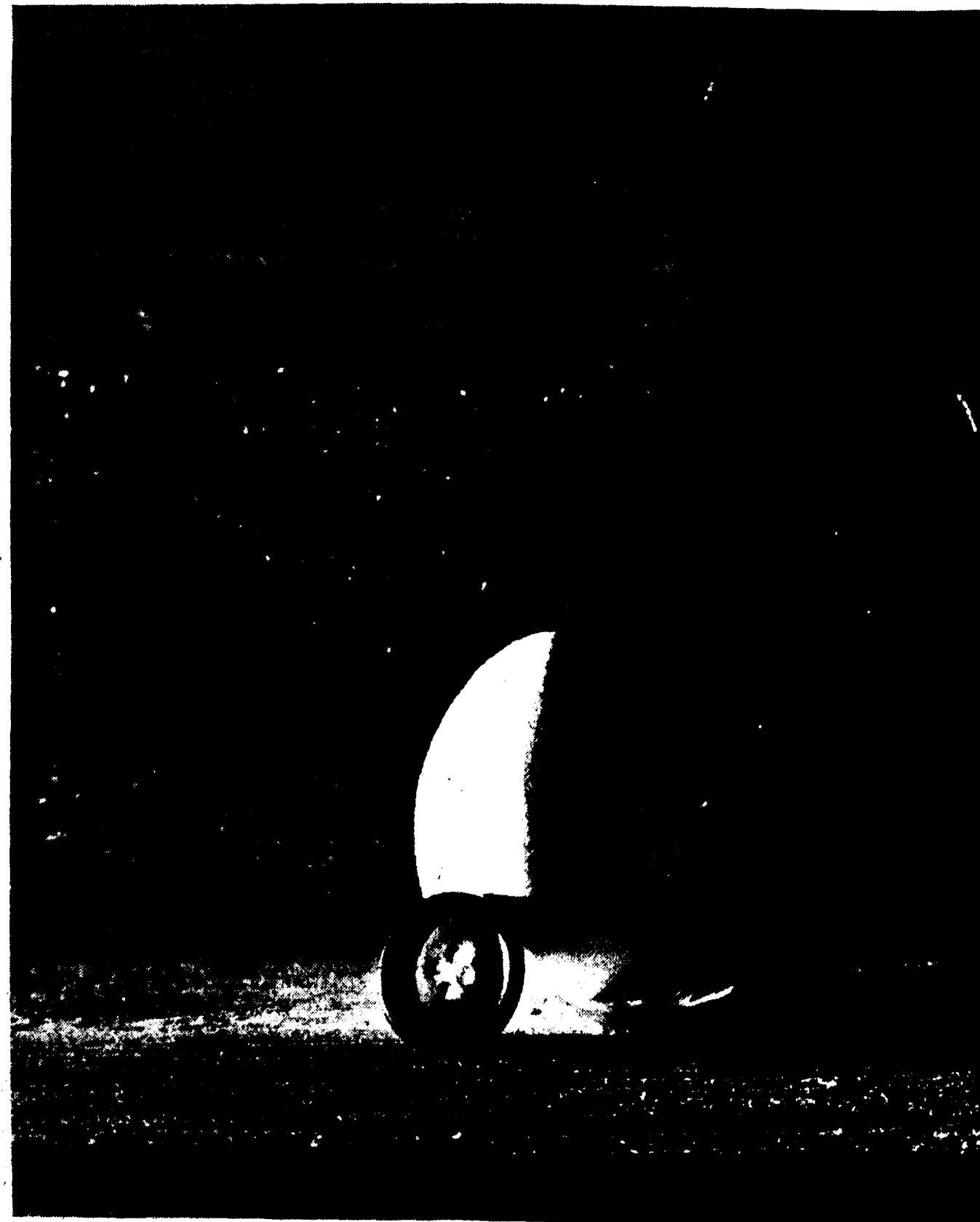
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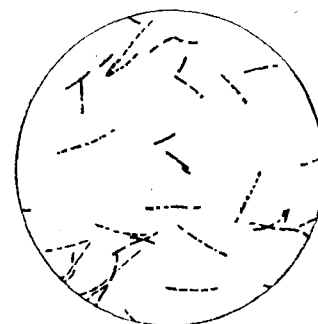


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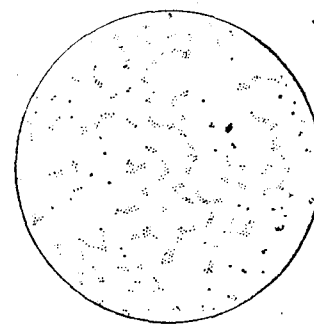
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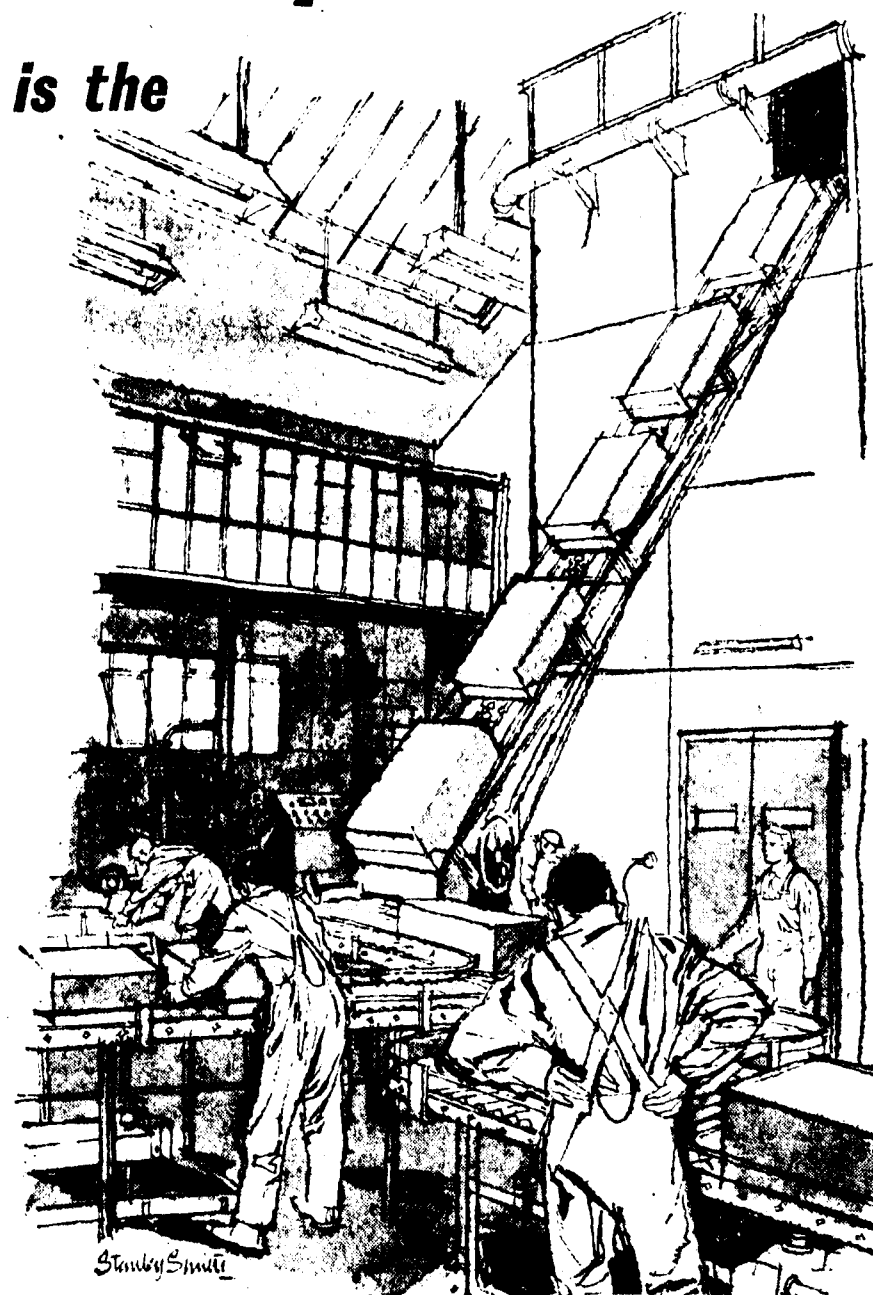
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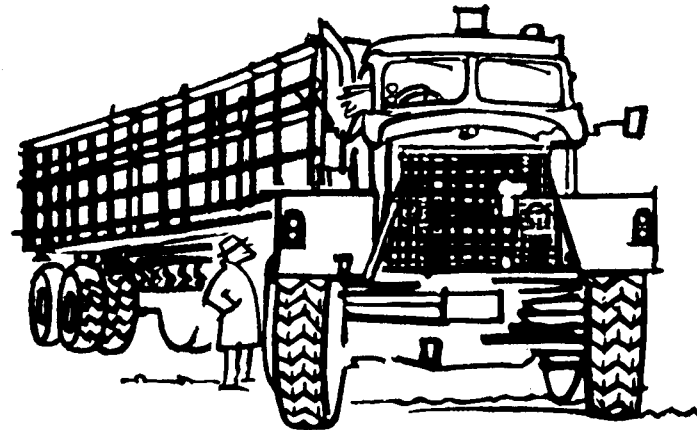
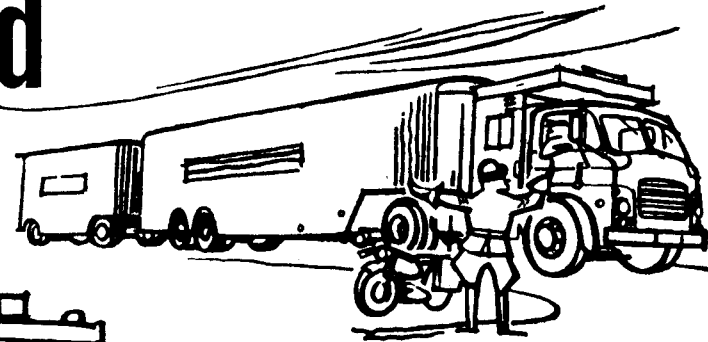
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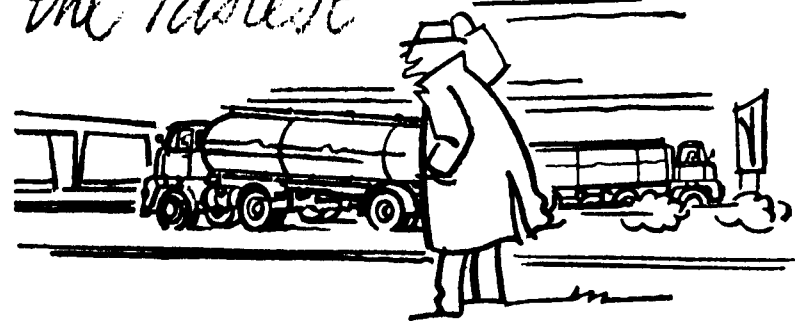
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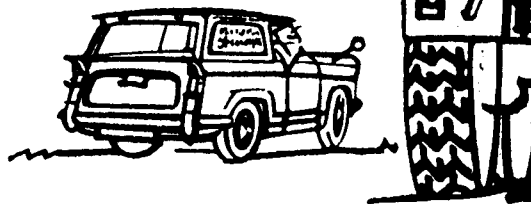


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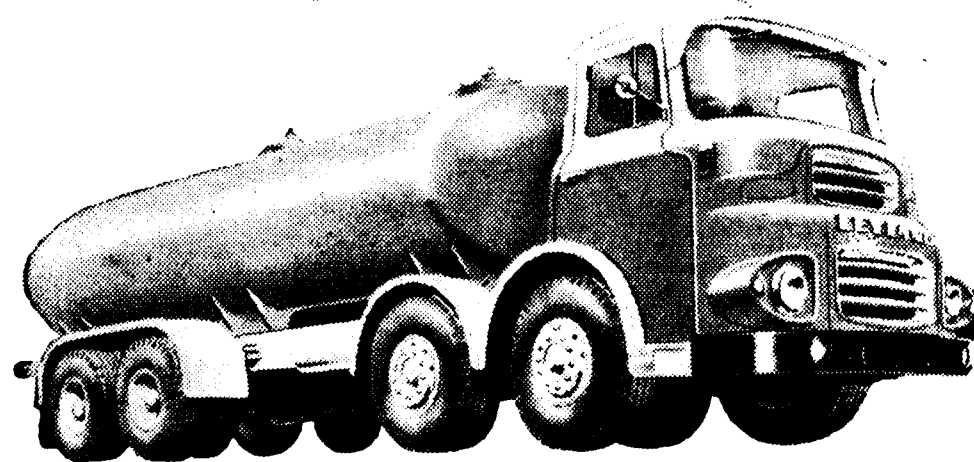
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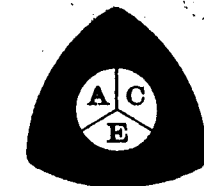
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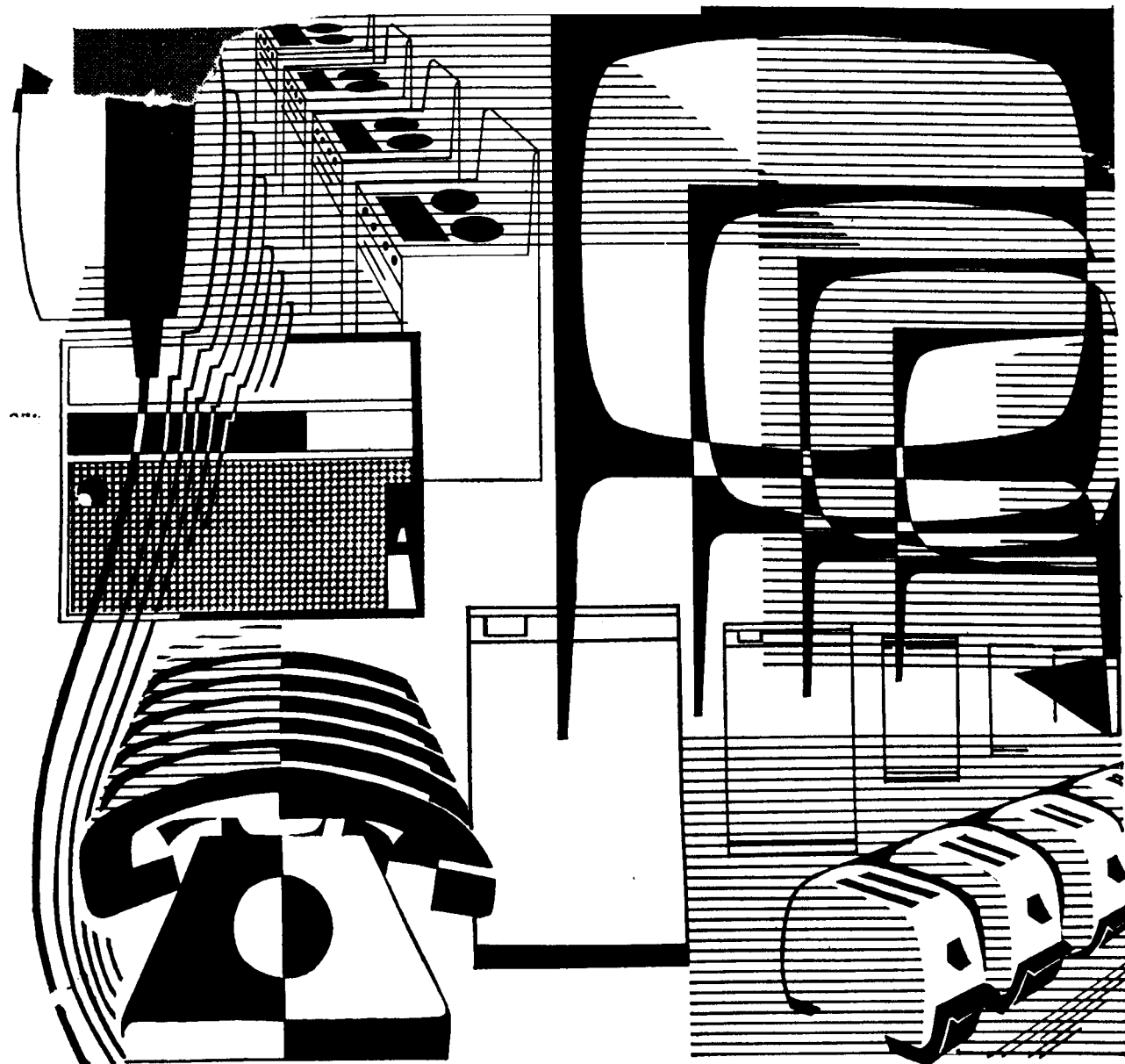
If toothpaste was ever measured by a yardstick it certainly isn't now. Nowadays mechanisation and automatic control take good care not merely of exact quantities but also of consistencies, speed of production and a host of other things.

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100,000

63

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transatlantic cargo flights—a record recently set—milestone unmatched by any other airline!

Jets a week from Europe to the U.S.A.—more than any other airline! And each Jet offers 4 tons' cargo capacity!

all-cargo Clippers a week to the U.S.A. from Europe—with 17 tons' capacity each and room enough for almost any outsized shipment!

European cities have nonstop or direct Jets to the U.S.A. with Pan Am—no reloading en route. Only Pan Am serves so many.

U.S. cities served direct from Europe by Jet—no other airline flies direct from Europe to so many U.S. cities.

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cities around the world are served by Pan Am Clipper Cargo.

full-time professionals are on Pan Am's cargo staff—more than on any other airline.

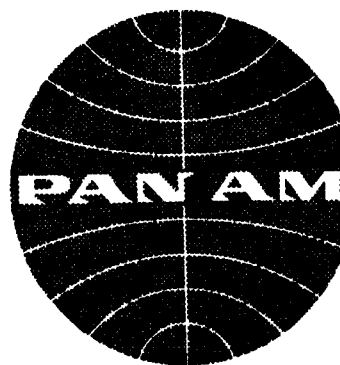
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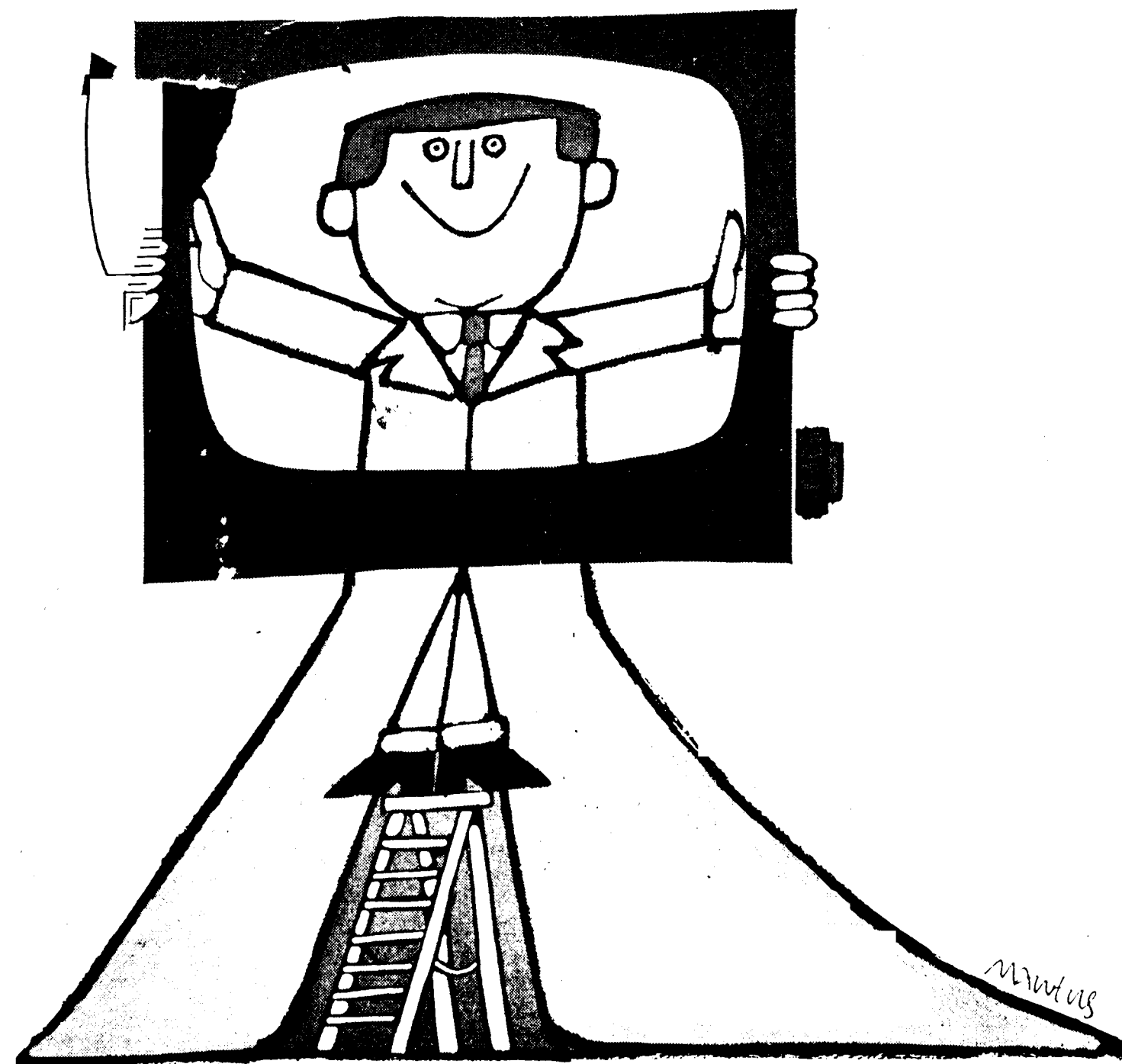
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It all
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WORLD'S MOST EXPERIENCED AIRLINE**



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Who says TV advertising is only for the big boys? A 15-second weekend spot reaching 570,000 viewers in the London area can cost as little as £50; a 15-second weekday spot reaching 769,000 Midlands viewers, as little as £85. And with guarantee and series discounts, the shrewd buyer can build a really substantial TV schedule on a very limited budget indeed. What's more, to reach 1,000 noting viewers on TV costs only half as much as in the national press.

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THE CITY OF STEEL SELLS TO THE ARGENTINE

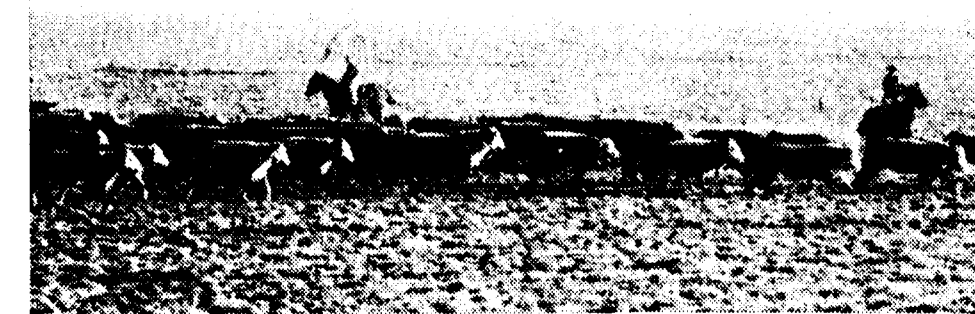
The Argentine Republic, seventh largest country in the world, is the most southerly on the South American continent. Its climate and geography range in character from the Mediterranean type areas of the north to the Norwegian fjord-like scenery of the south. There are over 22 million inhabitants, more than 6 million of them living in the capital, Buenos Aires.

Argentina's most important exports are the products of cattle rearing and agriculture—meat, wool and hides, wheat and maize. Britain is her chief export market for these commodities, in 1961 approximately £75 million worth being sold here.

In return Argentina imports from the United Kingdom. The Steel Company of Wales is one of the British companies represented in this extensive market.

Last year the total of world exports from 'The City of Steel,' the vast steelworks at Port Talbot, was over £34 million, accounting for 54.7% of Britain's sheet steel and 72.8% of her tinplate exports. These figures were achieved in the face of heavy competition.

"Gauchos," the men who handle the great cattle herds, in typical costume



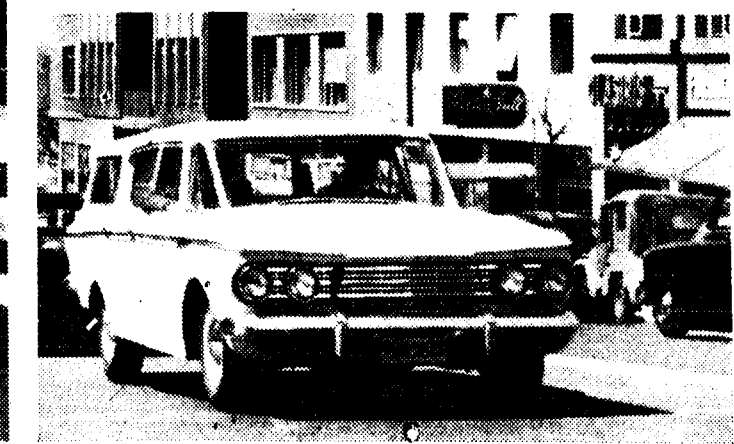
CORNEBEEF ON THE HOOF The Argentines exported 84,546 tons of canned meat in the first eleven months of last year. Here are some of their cattle en route to a beef packing station. Much of the meat is canned in tinplate made by The Steel Company of Wales—the biggest single supplier of tinplate to the Argentine.



BREW UP—ARGENTINE WAY Cowboys make mate, the special tea of the country. They use a gas heater made by Longvie S.A. and a pot and kettle from Capea. Both companies are importers of sheet steel from Port Talbot.



COLD COMFORTS Argentine housewives enjoy the benefits of the country's large electrical appliance industry. Several companies making refrigerators in the Argentine are importers of sheet steel from The Steel Company of Wales.

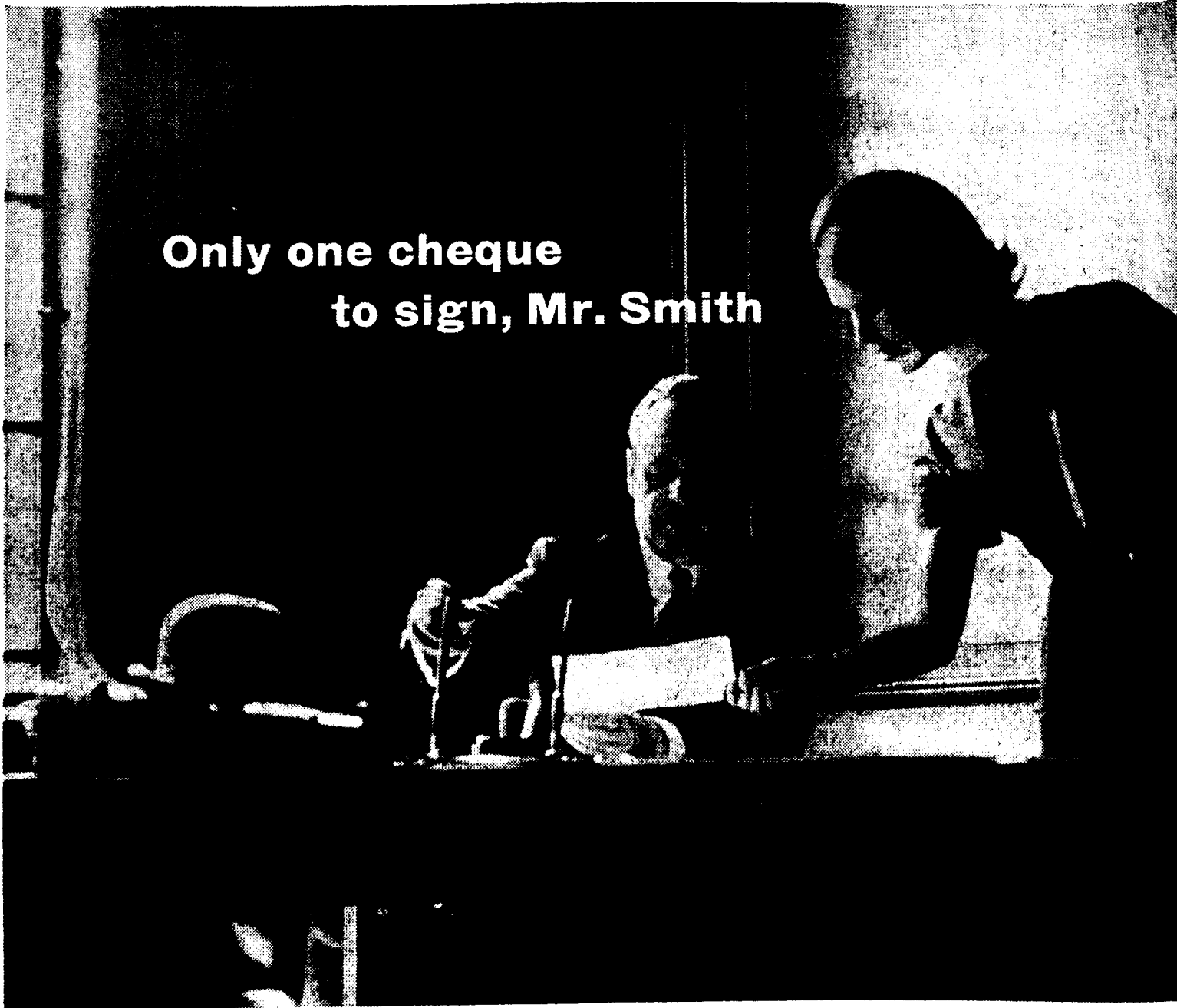


STREET SCENE This Rambler station wagon, on the Calle Cordoba, one of the main streets in downtown Buenos Aires, is one of the cars produced by Industria Kaiser Argentina using sheet steel from Port Talbot.



Steel for the World from Wales

THE STEEL COMPANY OF WALES LIMITED



Only one cheque
to sign, Mr. Smith

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THE COMPANY WITH ACCOUNTS TO RENDER . . . relieves its staff of the need to handle a multitude of incoming cheques. Payments by its customers are made through a bank and transferred promptly to the company's account. Details of these payments are supplied regularly to the company by its bankers.

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To	ANY BANK LTD
By	ANY SYMBY
Amount	ANYTOWN
Account	ANY CO. LTD
Paid to	

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The
Economist

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VOLUME CCV - NUMBER 6219

After Cuba

FOREIGN policy has been likened to a game of chess—wrongly, as Mr Hamilton Fish Armstrong points out in the fortieth anniversary number of *Foreign Affairs*, looking back on the whole dizzy period in which the United States has learnt to live with the responsibilities of world power. "There is no fixed book of rules to say that a certain move will be successful or that a contrary one will fail." The board is a patch of fluid afloat on the waters of time; the pieces, the vehicles of power, change their attributes without proper notice; and no contestant ever sees all of the board.

From many quarters, in the past twelve days, the Russians have been bitterly upbraided for the stealth of their action in deceitfully setting up missile bases on Cuba (as if it were in the rules that such an action should be advertised). What we must all hope is that they are upbraiding themselves mercilessly for the folly of it. Once they had done it and been found out, their position was irretrievably weak. Mr Kennedy, in the tense six days that began with his broadcast on October 22nd and ended last Sunday with Mr Khrushchev's promise to withdraw the offending weapons—"Both you and I understand what kind of weapons they are"—from Cuba, was playing from strength.

He played his hand as a strong hand should be played: the bid called exactly, the moves unhesitating, the objective, once stated, adhered to. Some people hoped, and many more in the world feared, that he would try to exceed his bid, perhaps by allowing the blockade of Cuba to become indiscriminate, perhaps by a direct blow to overthrow the Castro regime. Statements coming out of Washington last weekend did suggest that direct action against Cuba was very close. In the last phase of the crisis the pace was becoming hot, and the hours precious: as Mr Kennedy wrote to Mr Khrushchev last Sunday when it ended, "You and I . . . were aware that developments were approaching a point where events could have become unmanageable."

Perhaps only this can explain the astonishing speed and (within the limits of the matter at issue) the completeness of the Russian retreat. Mr Kennedy thereupon showed that he knew not only how far to go, but precisely where to stop. His acceptance of Mr Khrushchev's retreat was unreserved and handsome. His conditional offers made the day before—to call off the blockade, and to give assurances against an invasion of Cuba were at once reaffirmed as "firm undertakings." There was not a touch of the intoxication that confuses success with victory, not a sound, in this final moment, from the demon of generalisation who tempted Woodrow Wilson and Franklin Roosevelt. The Russian retreat from the western hemisphere was made as easy as it could, in the circumstances of an essentially brutal confrontation of material force, be made.

Mr Kennedy's Administration has, indeed, of its own choice taken on a restrictive commitment, not to invade Cuba, which it was far from accepting a few months ago when the placing of Russian strategic weapons there had not been thought of. Nothing short of a lethal military threat could have justified the invasion, but there was reason to fear that it might be undertaken in a bout of ideological spring-cleaning. The United States is right to have renounced it, and the allies, who never thought an assault upon Cuba a reasonable way for the United States to use its power, can be reassured. It is for all of us to acknowledge that the promise can be, in the prevailing American political climate, an irksome one to have made, and to give unstinted credit for it.

These considerations matter if the United States and its western allies are to end up, after the Cuba crisis, understanding each other better, not worse, than before. By and large, people in western Europe have been watching to see not only that the United States succeeded in what it set out to do (and they are heartily glad for the success) but also to see what use the Americans would make of their success, once achieved. Here, too, President Kennedy showed a swift awareness of what was at stake. Sunday night's reports from Washington already indicated that he saw the outcome of the crisis as an honourable accommodation, not as a great victory; and that one conclusion that might have been feared—namely, that the only way to deal with Moscow is to be tough all the way—was being rejected.

The point is a sensitive one in American relations with, among others, Britain, for there is a latent difference. It is not merely that the British have never seen Cuba as a very important country about which they ought to concern themselves acutely. Nor is it merely that they do not find it odd or unusual that a country should have a hostile neighbour separated by no more than 90 miles of water; they have often had hostile neighbours much closer. (Thus the emotional quality of American feeling about Cuba, a feeling that arises from the special way in which Cuba has been interwoven with the history of America's national emergence as a great power, leaves them untouched.)

A DIFFERENCE does exist, in a more general way, and if only potentially, about the way the conflict with the Soviet Union should be conducted, because there are different attitudes about what the conflict is. As a matter of fact both attitudes are to be found in each country. Very often, and especially at moments of drama or high tension, both can be found in one individual, struggling for mastery. But it is probably true that the instinctive and typical attitude of the British is that the cold war is a temporary, unfortunate, and abnormal thing. After the last war, the feeling runs, the Soviet Union behaved intolerably badly and forced the West to organise itself in resistance; thus Nato, the doctrine of containment, and the West's emergency military effort were born. The problem, we tend to suppose, is basically to get the Russians to accept proper standards of international behaviour; and when they see that it is in their interest to do so, it should be possible for defence and diplomacy together to return to normal, and for a more pacific relationship to be restored.

But there is, of course, an opposite attitude, which, by and large, has provided for many years the assumptions of American political, diplomatic, and military life. Perhaps the different attitude comes most naturally to the people who are most actively engaged in the struggle and who live with the fearful responsibility for its success or failure. By this reckoning, the cold war is a life and death struggle, in which the defeat of the antagonist—by his unconditional surrender—is the only alternative to one's own extinction; and it is assumed that that is how the antagonist, too, looks at it. Obviously if one holds this view of world relations it is easier to think that if the antagonist is faced with the threat of force and compelled to back down, then the situation has been improved. It is much easier, too, to convince oneself that force is the only argument he understands. On the face of

it, last week's events can be taken to confirm this second view. The moral might be drawn that if Mr Khrushchev is confronted with force again he will, once more, back down; and that if he is offered concessions he will interpret them as weakness and start using his elbows again.

In fact, as Mr Kennedy himself plainly appreciates, the actual outlook for western policy is much more complicated. Cuba and the Caribbean are places where the strategic factors are heavily stacked against the Russians. Perhaps if they had been ready, whether psychologically or materially, to enter a world war, then the choice of arena would not greatly have mattered. It is evident that, whether physically or psychologically, they were not ready for that. That being so, they did not have to consider a choice of advantage, between retreat and hanging on to the dubious asset of being able to threaten the United States from Cuban soil: they merely had the choice between retreat and defeat. Retreat was obviously the preferable course. The only room for surprise was in the celerity and openness with which Mr Khrushchev took it.

None of this tells us much about what the Russians will do in another place and in other circumstances. The next clash may happen somewhere where they are better placed to stand their ground without risking general war, or in a place where they feel that their vital interests are so engaged (as they were not in Cuba) that the risk of general war will have to be faced. They may be drawing the conclusion that the arena for the next clash must be more carefully chosen, so that they are not caught at a local disadvantage; or that it had better be deferred altogether until they are better prepared for war, and that therefore they must lie low and get on with rearmament. There is even a third possible conclusion for them—that it is worth while to explore seriously what negotiation will do to make both these courses unnecessary. Mr Khrushchev, who has never yet been seen to commit himself irrevocably to any single course of action, is perfectly capable of acting on two, or all, of these conclusions concurrently. Certainly the West will have to be prepared for all three.

Soviet Brinkmanship

Why did the Russians do it?

NEITHER an idiot nor a devil, Mr Khrushchev has extricated himself, with the loss of a certain amount of skin, from a position that proved untenably brinkmanlike. Although the air is ironically full of tributes to his restraint and magnanimity in ordering the removal of the Soviet rockets that he had put into Cuba, a defensive note has already been struck in the commentaries of the Moscow press. *Izvestia*, on Tuesday, was concerned to explain that the pull-out was the only course of wisdom. It did not identify the critics whom it was clearly addressing. But Peking was notably not in the front rank of those capitals of the communist world that hastened to hail Mr Khrushchev's decision; and the Chinese press and Albanian radio tersely cited verdicts in western newspapers that American diplomacy had won a "victory." Neither Mr Kennedy's wise refusal to boast of a victory, nor the barrage of loyal tributes to Mr Khrushchev's "highly humane and noble step" (to quote a Bulgarian commentator), can wholly cleanse the Soviet leader of the taint of retreat under duress.

It seems clear enough why he had to sound the retreat so precipitately, and at such a cost. He expected, not later than the beginning of this week, a direct American assault on Cuba. Whether the assault would be limited to the destruction of the still uncompleted rocket bases, or extended to amount to a bid to shatter the whole Castro regime, made little difference to Mr Khrushchev. In either case, he would be revealed as having no means of saving his Cuban protégé except by taking on the United States directly in full-scale nuclear war. His diplomatic advisers may have warned him that Russia would sustain a grave loss of international influence if, in such circumstances, it sat back while Dr Castro was punished for entrusting his fate to it. His military advisers must have reminded him that Russia has nothing like the first-strike capacity required to cripple America by a surprise attack and avert massive retaliation upon Russia itself. His political colleagues doubtless expressed doubts about the willingness of the Soviet public (or, rather, of its effectively articulate sectors) to face obliteration for the sake of a marginal stake in Cuba. He had to cut his losses quickly, before they mounted.

But if these perspectives could become so clear and cogent last week, were they not discernible in Moscow at an earlier stage? The question how Mr Khrushchev came to find himself on the brink is less easily answered than that of his motives in pulling back from it.

In any analysis of this kind, it is wise to begin by discounting extremes. One extreme hypothesis, which underlies some western reactions to Soviet moves, depicts Russia as being simply and uninhibitedly devoted to "giving trouble" wherever in the world there are possibilities of doing so. If one follows this approach, there is no need to look for subtlety or even logic in Soviet tactics, and the prescribed counter to them is simple too—a sturdy poke in the nose. At the other extreme is the assumption that the Russians ("the world's finest chess players") invariably work out all the conceivable implications of any action before taking it, and are tirelessly engaged in laying traps of diabolical ingenuity to ensnare the innocent West. Neither of these schools makes allowance for the possibility that Soviet policy may often be, like other people's policies, very largely the creature of circumstance.

In this case, Mr Khrushchev may have felt impelled by some fairly powerful considerations to take the very obviously risky step of sending rockets to Cuba. He was not only publicly and solemnly committed to underwriting Dr Castro, but also under some necessity to show his own activists (not to mention the Chinese) that his proclaimed faith in peaceful co-existence did not really imply any flabbiness in prosecuting the world struggle for the triumph of communism. There may have been a convergence upon him of two groups of military lobbyists, one concerned particularly with the fate of Cuba, the other more with the whole Soviet strategic posture.

The argument about the extent to which the placing of rockets in Cuba would transform the general American-Soviet nuclear equation is a complex and still controversial one. The argument centred on the defence of Cuba itself may have been couched in simpler terms. Rockets in Cuba would make it possible to deter, or respond to, an American attack on the island with purely local means—that is, without invoking intercontinental nuclear hostilities; at the least, the agony of deciding whether to enlarge the struggle into an

intercontinental one would be laid upon the United States.

All depended, of course, on getting the rockets set up for firing with the least possible delay. Hence, presumably, the absence of any attempt to camouflage them; speed was essential, and it may have been assumed that no camouflage could effectively prevent American intelligence detecting the hectic construction work on the launching sites. It is hard to accept the suggestion that there was a deliberate intention to catch Washington's eye, for it was precisely while construction was incomplete that the whole project ran the greatest risk of foundering.

DID Moscow assess the risks correctly, yet feel constrained to take them, or did it seriously underestimate them? Probably there was a real and grave miscalculation about the speed and skill of Mr Kennedy's inevitable reaction. The Russians may have counted on securing a period of grace while Washington dithered wretchedly between the alternatives, both abhorrent, of inaction and invasion; a period that would suffice to complete the installations and transform the military equation. The President chose, instead, to launch at once a coldly modulated design of deploying maximum force while resorting to minimum bloodshed. Inside four days this forced Mr Khrushchev to go into reverse; his still unpublished message to Mr Kennedy on October 26th appears to have incorporated an offer to remove his rockets from Cuba without any such *quid pro quo* as the removal of American rockets from Turkey, and his ineffective Turkish bid the next day—coolly ignored by Mr Kennedy in his half of the exchange of messages—looked like a mere smoke-cloud, possibly intended to obscure the naked realities of the situation to the eyes of watchers inside the Soviet world as much as to watchers outside it.

How successfully the new American promise not to attack Cuba can now be presented as a worth-while, if residuary, achievement of the Soviet adventure is hard to assess. Peking calls it a "hoax"; but Mr Khrushchev has grasped it with both hands and publicly declared that it is in itself enough to remove all reason for the installing of Soviet missiles in Cuba. Dr Castro does not seem to agree; his conditions, stated on Sunday, and discussed in the immediately following article, have been presented in the Chinese press as "absolutely necessary," but have been played down in Russia. The Soviet press greeted them with nothing more than "understanding." Moscow has an obvious motive for not concentrating attention on them, since they cast doubt on the validity of the one item that Mr Khrushchev can claim to have salvaged from his venture. Nor have Soviet commentators seemed in any hurry to take up the argument that the Cuba crisis has enabled Moscow to broach the general question of liquidating military bases in foreign countries.

Whether or not Russia's aims in its hazardous Cuban sally included the strengthening of its bargaining position over other bases, or over Berlin, the present outcome of the affair

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has evidently forced Moscow at least to pause and take stock of the newly revealed limitations to its field of manoeuvre. Such a stocktaking could, however, yield a decision to concentrate the next effort on an area in which Russia would be playing on its "home ground"—and in which it would be the American nuclear deterrent, not the Soviet one, whose credibility would be under test.



Castro's Morning After

How does he keep afloat now ?

AT the height of the "Cuban crisis," no Cuban voice was heard or listened for. The island's identity vanished behind the storm. But as people blink their way back into the light, it is relevant to wonder in what shape Dr Fidel Castro and his men have survived the diplomatic battering that has been going on over their heads.

The mortification of the Cuban leaders at being demonstrably passed over while the decisions that mattered were being made has been taken for granted, perhaps too glibly. Certainly there is more than a smack of frustrated self-assertion in Dr Castro's brandishing of a set of new and, in the context, unrealistic conditions at a time when all, bar this sort of shouting, seems to be over. But face can be lost and won again, words eaten and forgotten, faster and more easily than logical minds suppose. The analogy with Egypt's victorious emergence from the Suez Canal crisis of 1956 is worth a tentative probe. Although the circumstances were very different, both leaders were powerless to control the events that thundered around them. Yet President Nasser was able to emerge not only with honour but with triumph. The Cuban government is bound to deplore the fact that Russia's readiness to go to war to defend its foothold in the western hemisphere has been tested and shot down; on the other hand, only the suicidally bent would have welcomed a war that must, in the first instance, have obliterated their own country. It could even come to pass that, in some parts of the world, Dr Castro's name and Mr Khrushchev's may yet be bracketed as the twin super-statesmen who saved the world for another day.

Exerting authority in speech if not in action, Dr Castro has said he is not prepared to go back to the situation that existed before the bases were erected—and detected. His position has, in fact, changed in two respects. Through the Kennedy-Khrushchev exchange, he has been given an assurance that the United States will not, if the bases are dismantled, invade Cuba. Dr Castro's immediate reaction was cynical. He argued that the assurance was worthless unless a number of conditions were fulfilled—the most unlikely of which was the evacuation of the American naval base at Guantanamo. His other demands, without being unreasonable in themselves—an end to the economic blockade and to the subversion and pirate attacks organised from United States

soil—are untimely. While Dr Castro is clearly unable to stop the Russians taking their weapons away again, he has been able to make it awkward for the United Nations to send the inspectors that Russia and America have agreed upon. U Thant, who spent Tuesday and Wednesday in Havana with a group of advisers carefully selected for their nationalities, failed to leave any of them behind, as he had intended. Mr Mikoyan, who on Thursday was on his way to Cuba, may be able to persuade Dr Castro that the time, and mood, are not propitious for bargaining hard with the United Nations as well as defying the United States.

The desire to raise his own voice above the din encouraged Dr Castro to make his unseasonable demands. If this were all, his face-saving act of bravado could be given its fling and ignored. But there is a more serious reason for Cuban disquiet. The siege mentality that has developed inside Cuba is not something that can be dispelled at a puff of reassurance. The Cubans have grown convinced that the United States intended in one way or another to attempt the overthrow of their regime, and this conviction (reinforced by the warlike noises that have, in recent weeks, been blown across that famous 90 miles of water) will not quickly subside. That the Cubans should have welcomed the possession of nuclear deterrents (even if they were not, as Mr Khrushchev soothingly said, allowed to handle them) is, perhaps, as understandable as it is intolerable. The understanding, and the overwhelming dismay, would be the same if Israel, another country that sees itself under constant threat of annihilation, were to acquire a similar power of retaliation. From the Cuban point of view, the technically "offensive" weapons were defensive; where the Cubans made their mistake was in thinking that their point of view mattered.

A HORRIFIED reaction to the spread of nuclear weapons is not, by itself, a sign of slavish obedience to the rules of the cold war. The unanimous backing that the Latin American countries gave to President Kennedy's action was not necessarily the great swerve in opinion that it has been made out to be. Those governments whose tactics for self-preservation have become linked to their hopes for Castro's downfall were stalwart in their support, even, in some cases, proffering their ships or their ports in the American cause. The governments, notably Brazil, Mexico and Bolivia, whose attitude in the Cuban-American dispute more closely reflects Latin American opinion, tried to express their total (and entirely genuine) disapproval of the presence of nuclear weapons in Cuba without endorsing the principle that the United States would be right to use armed force to get rid of them. In the muddle of a hastily called meeting of the Organisation of American States on October 23rd this entailed the paradoxical business of supporting a whole resolution with one breath, and abstaining on one of its sections with the next. A stern letter from President Lopez Mateos of Mexico to Dr Castro, and Brazil's restatement of its plan for zones free of nuclear weapons in Latin America and Africa, suggest the strength with which these two governments believe Fidel Castro to have grossly misjudged the lengths to which he can carry his defence.

But the Castroist, and communist, opposition in Latin America has been able to interpret the OAS vote as evidence of their governments' subservience to the voice and will of the United States. The Latin American governments can

play at an independent foreign policy, so runs their argument, but on any issue that fundamentally matters to the United States they are at once brought to heel. There is, of course, something in this; power is power, as even Mr Khrushchev, off his home ground, has had to recognise. The consequent wave of left-wing protest is believed to be very much more serious than the newspaper reports would suggest. The blowing up of four power stations belonging to the Creole Petroleum Corporation in Venezuela (an impetuous act of destruction that recalls Syria's reaction to the Suez Canal crisis) was a major incident, but not an isolated one. In Chile, where the left-wing parties are well organised and full of fire, riots are believed to have ended with many casualties.

This freedom, or lack of freedom, of Latin American countries to pursue an independent foreign policy marks the second change in Dr Castro's position. The Cuban prime minister has had brusquely brought home to him the confines within which he can operate. The Cubans have to live with the knowledge that, although they have been thrown out of the Latin American system of treaties, consultations and economic

Dangerous Corner

IN the latest round of negotiations at Brussels Mr Heath and his team were faced by an attitude from the Six that seemed to be compounded of three elements. First, they faced (or, equally important, felt that they faced) a situation in which some of the Six's negotiators assumed, from the enthusiasm for Europe shown at the Conservative party conference, that Britain was now prepared to go in at any price. Secondly, and allied to this, they felt that some international civil servants in the European Commission had become more awkwardly doctrinaire in their negotiating attitude; there seems to be an increased determination at the commission to make Britain observe the Rome Treaty meticulously, perhaps partly because at this stage it thinks it can force us to do more easily than it can force its own members. Thirdly, Mr Heath's team was made increasingly aware of an argument used by some of Britain's best friends at Brussels. Things are now moving so fast towards a new integration and reshaping of economic policies in Europe, they were told, that it is important for Britain to get into the market quickly; the shape of these newly integrated policies will be decided by the widest common denominator of agreement between existing members of the community, and in order to become a part of that common denominator Britain should be ready to cut some short corners in the remaining negotiations before entry—instead of going on to argue about peripheral matters so interminably that we miss this moving bus.

There is a great deal in this last argument; but so there is in the British Government's increasingly determined argument that it must not—indeed cannot—beat a constant retreat in the remaining bouts of bargaining before entry. In the atmosphere after Llandudno, the Six must not now think that it can win every trial of strength. Somewhere between the difficulties set by these two opposing arguments, Mr Heath needs to take a very tricky stand.

co-operation, they still have to abide by some of the rules governing international action. One limit beyond which it is neither safe nor possible to defy the United States has been defined.

The corollary to this restriction on foreign policy might, in a less agitated world, be the more pacific acceptance of Dr Castro's domestic policy. But the United States Administration has been at pains to stress that the deal it has made to get rid of the bases has not made it any more resigned than it was before to the existence of a communist state in the western hemisphere. So the battle goes on, even if the major weapons of attack are barred. When the talk of deterrents and invasion has died down, the Cuban revolution's ability to survive will depend, as before, on the strength of the Soviet determination to give it economic backing. Mr Mikoyan's journey to Cuba suggests that Russia's quick-footed retreat from a grossly miscalculated military move will be matched by an energetic advance on the economic front. If this is so, Cuba's leaders may be able, soon, to throw off the hangover from an unwise and reckless night.

The exceedingly disappointing negotiations in Brussels last week are discussed on page 447 of this issue: the exceedingly important new memorandum on European Economic policy from the European Commission on page 495. The article below discusses the attitude Britain's negotiators should take at this dangerous juncture

The important point—and the one that needs careful re-emphasis this week—is surely that Britain should never allow its attitude towards any supposed trial of bargaining strength to become an emotional one, but should always see that it is a closely reasoned and practically based one: what is needed, as each problem arises, is a clear differentiation between the camels which we should not swallow, and the gnats which we should not be too furiously straining at.

Throughout this debate on Europe, the cloud that has been shaped most like a large camel has been the fear that economic and monetary policies in Europe might become so integrated that we could lose our powers of independent anti-cyclical action: that shortly after entering Europe we might find ourselves obliged to solve any balance of payments difficulties by an unnecessarily harsh degree of deflation or stagnation, at some central authority's behest. Inevitably, this fear has been raised again by the memorandum on a proposed "programme for action" in 1962-65, which was submitted this week to the European Council of Ministers by the civil servants on the European Commission, and which is discussed on page 495.

It would be wrong to exaggerate this danger. Many of the commission's ideas fit in fairly well with *The Economist's* own expansionary ones. Moreover, these immense if tentative new proposals—for progress towards a common monetary policy, a more common planning policy, a swifter dismantling of intra-European tariffs, for some changes in taxation policy and company law and transport policy and capital market policy—are not going to slide through the mesh of the six common market governments themselves in anything like a matter of months; if they were, Britain would need to worry actively about the present lack of an opportunity to participate in the discussions which will influence how they turn out.

The commissariat camel, when all is said and done 'E's a devil an' a ostrich an' a orphan child in one.

But it would be unfortunate for Britain if it did not, in the end, get a share in the exorcising of any devilment it finds in these proposals, in mitigating any ostrich-like qualities it espies in them, and in acting as one of the orphan child's guiding foster-parents.

The European Commission is under pressures of its own which have impelled it to lose no time in bringing forward these proposals; yet it should recognise that many people would be aggrieved to see too much haste to implement them in advance of Britain's entry. The implication for Britain is even plainer. In order to be able to participate in discussions about these proposals, it should press through the remaining negotiations as quickly as possible; certainly, the argument that it would be "just as easy to join Europe in two years' time as now" stands revealed as one of the silliest of all the statements made by some politicians during the summer silly season.

THE next question raised by the past week is whether the Six's new proposals on agriculture (which are discussed with proper asperity on page 447) are another camel that we should not swallow, or one of the gnats at which we should not strain. It is beguilingly easy to make a case for saying that they are the latter. The disagreement last week was not about the ultimate aims of United Europe's agricultural system after 1970, but about the transitional arrangements to be followed by Britain until 1970 (or until 1971 or 1972, if Mr Heath succeeds in his aim of stretching out Britain's transitional period that far). The British team and the Six in effect came to dangerous loggerheads about which of two ramshackle temporary systems Britain should adopt directly after entering the market, before beginning immediately to taper this temporary system off anyway and throwing it in the wastepaper basket within six or seven years.

Again, the main agricultural point that Britain was supposed to be plugging in these negotiations was that Europe should not coddle its farmers so excessively that the community would become self-sufficient in food, thus leaving no room for imports of more economically-produced food from the Commonwealth and elsewhere. In so far as the Six had a respectable reason for objecting to Mr Heath's proposals of last week, it was because they might in some respects coddle Britain's farmers too much, and thus set up further political pressures from European farm lobbies for the Six to feather-bed their producers a bit more too.

Possibly, too, there is some element of exaggeration in the British Government's protests about the "administrative impossibility" of moving suddenly from the present deficiency payments system to something like the system proposed by the Six in (presumably) about twelve months' time, before going on to a third and entirely different system in 1970 or thereabouts. Civil servants often do overstate the difficulties of doing a complicated job of work; and one of the Six's suggestions against which Britain has reacted most sharply—namely, that we could reintroduce a complex mechanism of consumer subsidies in order to mitigate the effect of the Six's proposals in raising the British cost of living by perhaps up to 3 or 4 per cent—was clumsily supposed to be designed to help us.

There ought to be some scope for a compromise whereby market prices here might rise more quickly than Mr Heath wished, albeit more slowly than the Six last week asked for, thus allowing the burden to be taken on to the cost of living without consumer subsidies being introduced at all. Nevertheless, it plainly was unreasonable that the Six last week should ask Britain to go through awkwardly large convulsions of policy in order to fit in with a European agricultural system which they themselves have not yet really got working anyway. When this disgruntled thought is added to resentment at the way in which France last week entered sudden reservations about last summer's promise of special treatment for New Zealand, and to disappointment at the niggling answer given to Mr Heath's requests for particular tariff concessions for India and Pakistan (see page 447 again) the British team's exasperation was entirely understandable.

To Britain, the thing to say now is that it would be wise to keep this exasperation under control. There is, in spite of the Brussels setback, a fund of goodwill to be drawn on; witness Signor Piccioni's insistence, in the Italian chamber of deputies on Tuesday, on the paramount importance of helping Britain to get in. There are three really indispensable things that the Government needs to secure during the last rounds at the negotiations. First, Britain should somehow be allowed a say in the new bout of economic policy-making in Europe now being set afoot. Secondly, as a matter of honour, Mr Heath is bound to insist on reasonably generous treatment to New Zealand and to Britain's partners of the European Free Trade Association. Thirdly, as a matter of hard economics, he needs to urge that the Commonwealth countries in Africa which have so foolishly rejected association with the common market should still be given many of the benefits that they would otherwise have secured from it; if the 70 million people in underdeveloped countries who were originally offered association could still be permitted rights of free entry for their produce into Europe, this would provide the best possible assurance that Europe in future years would have no incentive to be timidly protectionist towards imports from other underdeveloped countries either.

If concessions could be secured on these major fronts, it really would not be sensible to worry overmuch about the duty on carpets or coir mats, and it might even be sensible not to strain too hard at the gnat of the Six's suggested interim agricultural absurdity.

To the Six, the things that need to be said are more stark. Many candid friends of Europe in this country—including ourselves—are afraid that the Six's attitude last week may mean that the Brussels negotiations might be seriously obstructed when other and more vitally important matters are reached. Nobody in Europe should underestimate the agonising reappraisal which the British Government might still make if this happened, nor should anyone in Brussels suppose that Mr Heath last week was merely striking attitudes in advance of the coming clutch of partly rural by-elections. The present Government can honestly be acquitted of any desire to play politics in these negotiations; indeed the only effect that politics are having just now is that the Government is finding it convenient to tone down public expression of its private resentment at last week's disappointments, for fear that Mr Gaitskell should say "I told you so." The negotiations have now reached a dangerous corner.

NOTES OF THE WEEK

INDIA AND CHINA

The War That Is On

UNDECLARED war" is now a fair enough description of the extraordinary state of relations between India and China. The Indian government has announced more than 2,000 casualties in the Himalayan fighting and has proclaimed a national emergency; but diplomatic relations had not been broken off at the time of writing. The Peking government continues to proclaim itself devoted to the cause of peace and of unity between Asian countries, while publicly instructing its army commanders (somewhat retrospectively) that they need no longer have inhibitions about advancing south of the McMahon line.

While Indian Communist leaders line up, red-faced, behind their government in condemning Chinese aggression (an attitude which, according to the British Communist party's political committee, is one of "fantastic hypocrisy"), the Chinese leaders depict the fighting as caused solely by unprovoked Indian violations of their borders. It is odd that, in spite of this posture of injured innocence, Peking has been staging mass indignation rallies this week, not about the supposed invasion of its own territory, but about Cuba. It is less odd that India once more voted this week (as did Britain) for the transfer to Peking of the Chinese seat in the UN. India again explained (as Britain did) that it simply wanted to see China represented by the government that actually rules it—and whose continued exclusion from the UN does not make it any easier to induce it to behave less belligerently.

Reports on Wednesday suggested an easing of the Chinese pressure which had forced India to give up the roadhead at Towang, just east of Bhutan; and the Indian command was said to be more confident of holding the invaders now that their line of communications had become strained by their rapid advance. Whether or not the check was a true one, it came too late to save Mr Krishna Menon. On Wednesday Mr Nehru took the defence ministry into his own overfull hands. Mr Menon retained his cabinet seat and the post of minister of defence production—a post which may give him scope, against the background of military emergency, for scarifying the "private sector"; but his forced departure, in the tattered garb of an Ethelred the Unready, from the defence ministry, the principal base which he had been using for his own political advancement, indicates a real shift in the balance of power among the potential successors to Mr Nehru.

Public anger at the revelations of his

ministry's inadequate preparedness has spurred the Indian government's desperate search for defence supplies throughout the western world. Credit should be given to the American, British, Canadian and other governments that have not only responded swiftly to these urgent approaches but have made it clear that they will not try to exploit India's need by tying strings on to their help. That this is the way to foster real friendship, as opposed to securing an uneasy lien on a client state, has already been underlined by appreciative comments in the Indian press.

Ambivalent Attitudes

INDIANS have been quick to note the contrast between the ready response they have met in the West, and the evasions and tokens of malice that their hour of trial has evoked among some of their neighbours and supposed friends. Moscow's ambivalent stand, although predictable enough in view of the severe embarrassment the Sino-Indian conflict has caused Mr Khrushchev, has lost it a visible amount of ground in India (and hardly gained it any in Peking).

Some Soviet military supplies have continued to come through the pipeline; but the promised Mig aircraft suddenly seem a long way off, and Indian pilots have been recalled from Mig training courses in Russia. Bitter things are already being said in India about the fence-straddling attitudes of some of the other "non-aligned" governments that India associated itself with at last year's Belgrade conference. Several of these have contented themselves with appeals to India and China to negotiate a settlement—appeals which, like the Soviet one, are too close to China's proposal for negotiations without any real withdrawal of troops to be acceptable to Indian opinion. Marshal Tito in particular seems to have got the worst of both worlds, by appearing offensively partial to Chinese eyes and offensively impartial to Indian ones. And Indians will be bound to ask why President Nkrumah went out of his way, on Wednesday, to deliver a needless attack on Mr Macmillan for voicing sympathy with India.

Some of these ambivalent attitudes seem blended out of sheer indifference, timid (and improbably effective) propitiation of the Chinese dragon, and malice toward India. The element of malice, however, is not confined to the non-aligned. It has emerged, more openly if more understandably, in some Pakistani reactions. The Karachi press has tended to publicise the

Chinese version of the fighting and to gloat over India's tribulations. (Undoubtedly, if the Chinese attack had happened to be aimed at Pakistan, certain Indian newspapers would have revelled in a similar gloat; the folly is equally unjustifiable either way round.) Some of the first reported Pakistani responses to the British and American appeals for timely restraint and reassurance on the Indo-Pakistani "front" were hardly calculated to strengthen confidence in Pakistan's will to make sacrifices in order to stave off the communist threat from the north—the threat that inspired the alliances of which it is a member. But a more constructive, if not too explicit, posture may yet be hoped for in Pakistan.

PARLIAMENT

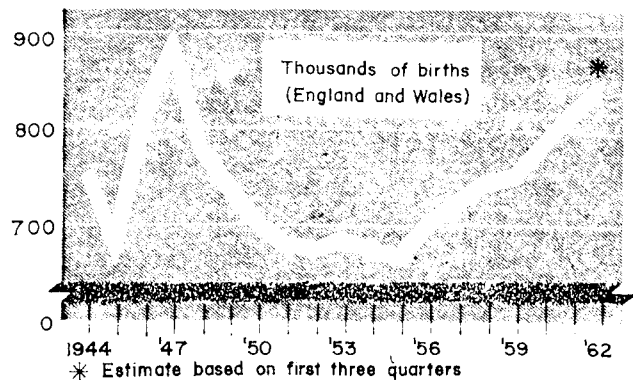
Back Again

THE glittering splendour of the state opening of Parliament by the Queen did something to soothe the wounded feelings of members of both Houses, who felt that in the recent Cuban crisis Parliament in general and the Government in particular had been able to contribute little. During most of the week that has been called the most dangerous in the history of mankind, Parliament had sat in recess; but perhaps, in view of the things that some members would have been saying last week, it is a mercy for some reputations that it did.

Obviously, the common market, on which a two-day debate has been arranged for next week, must be expected to lie in the centre of controversy this session; but so far few MPs have woken up to the fact of how ticklish the latest stage of the Brussels negotiations was. At the moment a more immediately explosive issue on the Tory benches actually looks like being Rhodesia. Among cabinet ministers, Mr Butler may therefore have most at stake. Up to now, as Minister for Central Africa, he has been able to win many golden opinions, but some time during the session he will have to do something, and could become as much a focus of controversy as was Mr Iain Macleod. The minister with least to lose is probably Mr Heath, who may come to be regarded as the deserved hero of the party whatever happens at Brussels. The minister with most to gain could be Mr Maudling if he extends the Conservative recovery by a vigorous policy of economic expansion. But is he going to do so? At present, the Tory rank and file are refreshed and reinvigorated by their holidays. The friendly messages of the latest opinion polls and the tonic air of Llandudno have done much to revivify the failing spirits of last July. The new euphoria could, however, soon be dis-

Another Bulge—or Steady Rise?

Unless there is a sudden change in the current quarter, about 840,000 babies will be born this year in England and Wales, the highest level since 1947. The persistent increase in the birth-rate has caught out the demographers once again. With the 1961 figures to go on, their population forecasts assume 820,000 births between mid-1961 and mid-1962 and an average of just over 800,000 until 1967.



sipated by a setback in the common market negotiations, or in the by-elections which are now to take place on November 22nd. Cynics will remember the élan generated by the Brighton conference of 1961, and the disasters which nevertheless overtook the party within a few months.

The Opposition does not seem to have been inspired by its own Brighton conference; and indeed a slight reaction seems to have set in against Mr Gaitskell's extremist anti-market line. Now that the cheering of the frenzied delegates has died away, the pro-Europeans are seen to be not quite the negligible factor they may have appeared at Brighton. Mr Gaitskell himself seems to have been distracted by Cuba from his anti-market obsession; and this, together with the hardening of the attitude of the pro-Europeans, means that the wording of the official opposition amendment to the Government common market motion, which is to be debated next week, may be ambiguous enough to enable everybody in the party to vote for it. But the shape of this session of Parliament is still principally dependent on events in Brussels. They may well be such that a session which has opened quietly will end with a bang.

LABOUR PARTY

Who's for Deputy?

MR WILSON'S decision to oppose Mr Brown for the post of deputy leader of the Labour party is in itself convincing evidence that his chances of success are not negligible. Only one thing is needed to be elected deputy leader of the party—a majority of the votes of Labour Members of Parliament—and Mr Wilson presumably would not have stuck out his neck if his canvassing had suggested that he would get a drubbing. He can rely on a solid vote from the 70 members of Labour's left wing, which will be augmented by the ballots of the not inconsiderable number of members whom Mr Brown has irritated or been rude to on one occasion or another. Mr Brown has also been weakened by the trivial incident of his contract with the *Daily Mirror*,

by his clash with Mr Gaitskell over the common market, and by the fact that some middle-of-the-road Labour MPs want their organisation to be run by an astute fox instead of an elephant.

Against this, and against Mr Wilson's studied flexibility, Mr Brown can oppose courage, steadfastness, loyalty and inherent likeableness. His strength of character, which came out again in his Brighton speech on the common market (where incidentally he showed an adroitness which few had suspected him to be capable of), should appeal to the solid block of trade union MPs, despite a few anticipated de-

fections. These members are not keen on the establishment of Messrs Gaitskell and Wilson as a donnish dyarchy leading the party; to them Mr Brown's basic strength is that he is rooted in the trade union movement and looks it, whereas Mr Wilson looks and sounds middle class despite his proudly proclaimed proletarian origins.

Furthermore Mr Wilson's election would place some strains on Labour's unity. The MPs who could hardly bear to have him as crown prince are generally precisely those pro-European MPs who are not at present feeling very loyal to the leadership. This point cannot be lost on Mr Gaitskell, who is nowadays very touchy about the obvious fact that his own recent speeches helped to put Mr Brown in his present plight, and who for personal reasons is indebted to Mr Brown but for the same reasons hardly indebted to Mr Wilson. Moreover Mr Gaitskell cannot really feel happy about the sort of Labour party that would emerge if Mr Wilson were first in line for the succession, and if anything physical or political were then to happen to himself. Perhaps the most comfortable result from Mr Gaitskell's point of view, though he is at present officially staying neutral, would be the re-election of Mr Brown with a smallish majority. But between now and Thursday of next week, when the ballot will be completed, one or other bandwagon could start to roll.

The Economist

NOVEMBER 1, 1862

THE PRACTICE OF BLOCKADE

English statesmen have long held a most decisive and distinct opinion as to the maritime law which was most for the interest of England. Our ships have long been first upon the ocean, and we have constantly and energetically supported those rules of war which enlarged the ascendancy of a superior fleet. . . . On this point Mr Cobden takes issue. He says,—"The interest of England now, if not formerly, is that the rules of maritime warfare should be relaxed as much as they can be. We are the nation which has the greatest imports and the greatest exports—which is most dependent upon foreign commerce. . . . But the discussion of what is for our interest does not settle the international question. . . . There can be little question, or rather none at all, that the enforcement of a blockade is among the most effectual of hostile acts; it tends more to bring a war to a conclusion than any other act. . . . Whatever may be our interests or our wishes, we cannot expect that so great an instrument of war will be soon or easily relinquished by the world at large. . . . Nor would it be dignified in England to ask for a change of international law merely because her interests have changed; she would weaken her influence by selfish arguments as much as by selfish policy. It is true that the present state of the world suggests the reconsideration of

many parts of international law, and that the effect of war on commerce is precisely the point at which the new influences are most potent, and where reconsideration is especially requisite. We think that the present time is one which should especially suggest a more full and careful consideration of limits within which a blockade is endurable by neutrals than any previous period. . . . In actual life, the limits must be vague, for they are so throughout international law, and indeed in all politics whatever. The limits of tyranny, the limits of liberty, the precise details of a *cassis belli*, are all matters of which no mathematical definition is possible, and of which a judgment must be formed at the moment by the parties interested as well as they can. Similarly, we think it should be laid down as a canon of international law that as soon as a blockade becomes vitally dangerous to a neutral, as soon as it threatens the fundamental well-being of the body politic, the neutral is justified in breaking the blockade by the supreme duty of self-preservation; and that it is for the neutral to judge when this limit is passed or reached. The elements of judgment are vague, and the result of the deliberation is of the first magnitude; but a great nation passes its life in the consideration and decision of questions both important and undefined.

LEGISLATION

No Surprises

THE fifteen bills mentioned in the Queen's Speech comprised two that will be politically controversial (on television, after a white paper in two or three weeks' time, and on London local government); seven that are worthily social and had been long forecast (written contracts of employment, consumer council, weights and measures, shops and offices, water conservation, child care, increase in public service pensions); two that were not forecast here last week (the Colonial Development Corporation is rightly to be allowed to lend to independent ex-colonies now that so few dependent colonies are left; and the Government needs additional money to keep up its grants for farm development); one bill about Malaysia and three about Scotland (on criminal justice, local authority grants and education). The programme is thus being kept sufficiently trimmed (nothing about underground gas storage, no new measures of company law) to make room for a common market bill or bills some time in 1963 if Mr Heath's negotiations succeed. While waiting for something to sprout from Brussels, Parliament will be chewing over a modest, if nourishing, diet of suet pudding.

Perhaps the two most interesting features of the Government's new programme, as announced on Tuesday, have nothing to do with legislation. Mr Enoch Powell, at the Ministry of Health, is to bring out a ten-year plan for the development of local health and welfare services to match his ten-year hospital development plan; and Mr Geoffrey Rippon, at the Ministry of Works, is to take over responsibility for the future of Government building operations, complete with a new Director of Research and Development charged to try to spur the whole building industry into what another minister has called an impending "break-through in building techniques" by prefabrication of larger components in the factories. This last development has some affinity with the ideas of those Labour theorists who have said that individual nationalised firms in inefficient industries could act as pacemakers for new industrial techniques. Governments of all hues have had a large section of the building industry under contract to the public sector for many years, but they have not hitherto inspired prodigies of efficiency in it.

PENSIONS BILL

Still Behind

THE first major bill to be published straight after the Queen's Speech was the Pensions (Increase) Bill, the sixth of its kind that has been necessary since the end of the war to keep public service pensions panting desperately after rises in the cost of living. Just under 500,000 retired civil ser-

vants, local government officials, teachers and policemen will benefit this time; when corresponding increases are given to 112,000 retired regulars from the armed forces the cost of the measure in a full year will be £22.1 million, of which £5 million will bear on local authorities. Two features of the bill are particularly welcome. A graduated scale of increases, ranging from 2 per cent to 12 per cent, gives most help to pensions awarded before April, 1956; in addition, since the worst-off are those who are most elderly, the 70-year-olds in this category will get a flat-rate age benefit of £20. Secondly, the bill provides for British-paid supplements to certain pensioners of colonial and ex-colonial governments, subject to residence qualifications. The Secretary for Technical Co-operation is to determine what these supplements should be, over and above any increases granted by the overseas governments themselves, to bring these pensions into line with equivalent British rates. This is an entirely sensible, and overdue, gesture to a small group of people who have been particularly badly hit in the past.

If there is criticism of the bill it will be because it is not sufficiently heavily weighted in favour of those who retired in the 1930s and 1940s when (as explained in *The Economist* of October 27th, page 333) there were legitimate expectations of a distinctly more comfortable retirement than most of the recipients have experienced in the past decade, and when, especially in the lower grades, there were fewer opportunities for individuals to make reasonable extra provision for themselves in their old age. The additional £55 a year now given to the £295 pension of a clerical officer aged over 70 who retired in 1948 is only one example

of how meagre, in terms of present-day wage rates, these new increases are to couples eking out an existence. The least that Parliament can now do is to give this relief promptly, so that the first bonuses can be paid out soon after January 1st.

SOUTHERN RHODESIA

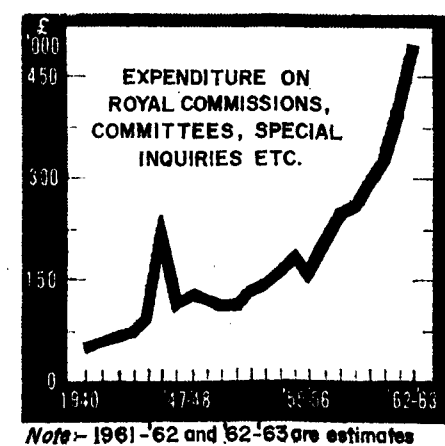
Brave Sir Edgar

WHEN it comes to Southern Rhodesia, it is sometimes hard to tell on which side of the looking-glass one is standing. Speaking as "the distinguished representative of the United Kingdom," the prime minister of Southern Rhodesia, Sir Edgar Whitehead, defended his country's policies before the trusteeship committee of the United Nations on Tuesday. But Sir Edgar does not represent the United Kingdom; if he did, the British Government would presumably be in a position to control how Southern Rhodesia is run, and this is a thing both he and the British Government tirelessly repeat cannot be done. Nor is it clear how Sir Edgar can simultaneously deny the UN the right to interest itself in Southern Rhodesia and appear before the UN to defend the policies of the Southern Rhodesian government.

Such confusing reflections are perhaps best left alone. There are still two principal questions for the British Government to answer. The first is, should Britain intervene in Southern Rhodesia?—the second, can it? Sir Edgar's speech to the trusteeship committee seems to give the answer "no" to both questions. But is this right? Like many African politicians, Sir Edgar talks well; like most of them he makes sense only in a world seen through his eyes. In such a world it would be possible to keep

ROYAL COMMISSIONS

The estimated cost of Royal Commissions, committees and special inquiries in 1962-63 is £494,000. Of this £100,000 has been set aside for "Ned" and £57,000 for the Civil Service Pay Research Unit. Annual expenditure has quadrupled in the last ten years. The early peak in the chart reflects the high cost (about £200,000 spent mainly in 1945-46) of the Commission on Population which sat from 1945-49. By 1955-56 the Commission on Awards to Inventors was completed: £7-9,000 had been spent on this annually since 1949.



DIVISION OF 1960-61 EXPENDITURE

	%
Ancient Monuments, etc.	39
Royal Fine Arts	3
Scottish Savings	30
Civil Service Pay Research Unit	16
Council on Prices, Productivity and Incomes	1
Commission on the Police	4
Treasury Pool of Shorthand Writers	6
Other	3

COSTS OF RECENT COMMISSIONS

	£
Commission on the Press	40,190
Pilkington Committee on Broadcasting	45,450
Radcliffe Committee on Monetary Reform	18,000
Commission on the Police	49,370
Rochdale Committee on the Docks	8,899
Molony Committee on Consumer Protection	4,561

the peace in Southern Rhodesia for long enough to permit the gradual absorption of moderate black politicians into the white Establishment, which they could then take over. This, Sir Edgar rightly feels, would keep Southern Rhodesia's economy in its present modern, progressive shape.

The real weakness of this view is that the time Sir Edgar wants before blacks rule Southern Rhodesia (15 years) is simply not available. A British Conservative MP, Mr Humphry Berkeley (with whom most Tories are, on this issue, out of step), has recognised this and in a speech on October 28th regretted having voted for the present Southern Rhodesian constitution, since it "is wholly inadequate to meet the aspirations of even the most moderate of the African nationalists." This would probably be so even if Sir Edgar's self-defence were made to seem more realistic by a massive expansion of secondary education designed to get more than a handful of Africans qualified to vote on the upper roll. Sir Edgar may well move in such a direction—and even widen the franchise qualifications themselves—if he wins the elections on December 14th.

For this reason the British Government may be wise not to do anything between now and the elections that might frighten white voters away from Sir Edgar. But after that, every opportunity to press Sir Edgar on should be used. This is the only possible policy while Britain continues to carry the can at the United Nations for policies made in Salisbury. The alternative, to give Southern Rhodesia independence under white control, would earn the disapproval of most of the world. Suspending the constitution and cancelling the elections, as the United Nations General Assembly urged (by 81 votes to 2) on Wednesday might produce violent white resistance. To do nothing at all might result in bloodshed between Africans and Europeans in Southern Rhodesia. The minister for central Africa, Mr Butler, might do worse than fly to Salisbury around Christmas to initiate talks between Sir Edgar and the African nationalists. Perhaps U Thant will step through the looking glass with him.

NORTHERN RHODESIA

Still a Colony

ON Thursday morning the results of the elections held in Northern Rhodesia on Tuesday were incomplete, but it was possible to draw two early conclusions. The first is that an overwhelming majority of Northern Rhodesia's voters clearly want their country taken out of the federation of Rhodesia and Nyasaland. Virtually all the white voters supported the United Federal party, which wants the federation to carry on, but virtually all the other voters supported parties opposed to the existence of the federation. The UFP's 30,000 white voters are heavily outnumbered by the 100,000 non-white voters. This verdict against federation accords with the verdict

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of the Nyasaland electorate. The British Government has repeatedly promised that it will not do anything in central Africa against the popular will: it is now more clear than ever that this will dictates the break-up of the federation.

The second conclusion is that Northern Rhodesia needs a new constitution, and very soon. The present constitution, designed to produce something like a stalemate between black and white political parties, seemed on Thursday morning to have done just that. The whites stuck together: the early results gave the UFP 13 of the 15 upper roll seats, with two to be declared. The blacks voted solidly for nationalist parties; the first results gave the United National Independence party 11 of the 15 lower roll seats, with 3 to the African National Congress and one result to come.

The third section of the results, in the "national" seats (to be decided by arithmetic) were expected late on Thursday. The new legislative council will at any rate not reflect the massive popular vote given to the Unip, the major African nationalist party which, fancy franchises apart, should have been the clear victor.

The next constitution must be designed to allow the party with the most support to win the elections. This can be done; unlike Southern Rhodesia, Northern Rhodesia is still a colony, under the direct control of the British Government. Even in setting up a government under the present constitution the Governor of Northern Rhodesia can instruct the six civil servant members of the legislative council to vote with the party of his choice; he can also nominate as many extra members as he pleases. What he does do should be guided not by the results of a cooked constitution, but by the clear expression of the majority will.

ALGERIA

American Rift

ONE casualty (one hopes, not fatal) of the Cuban crisis last week was the Algerian-American discussions about American aid to Algeria. These began after Mr ben Bella had visited President Kennedy (October 15th) and were suspended on October 23rd. The Algerians seem to think that Mr Khemisti, their impulsive young foreign minister, who was in the United States with the Algerian economic delegation, broke off the talks as a gesture of solidarity with Cuba. But American reports suggest that it was the State Department itself that decided to pack in.

Possibly the Americans were influenced in this by the difficulty they had in getting a positive Algerian assurance that Algeria would not lend its airfields to refuelling any Russian aircraft that might try to fly arms to Cuba. They had, as well, been pained by Mr ben Bella's want of grace in capping the warm welcome their president gave him by a riotous trip to Havana (October 17th). To embrace Dr Castro was one thing; but to out-Castro

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Castro, as he did, in shouting down all things American, on the brink of an international crisis in which no other unaligned country quite so fervently sided with Cuba, showed a lack of common sense. In such matters Mr ben Bella might learn something about discretion from his exemplar, President Nasser. Egypt's president spoke only for peace when the Cuban crisis blew up; he takes buckets of American aid (mostly wheat for his hungry people) without losing an inch of his stature as a revolutionary neutralist.

For Algeria to forfeit American aid would be a serious matter. Already since its independence Algeria has received, through various American agencies, relief that is reckoned, all told, to have been feeding more than two million Algerians a day. A programme of aid for the future, as envisaged in the New York talks, was also to be helpful politically in giving Algeria some fallback from its reluctant dependence on France. The alternative—to use the communists as a third economic force—is not seen by many Algerians as promising to be effective. Eastern help tends to be too irregular unless (and often, even if) a country lists over and takes the whole communist treatment. But that is another story. Even Algeria's extreme Left would hesitate to lose its freedom of choice.

HIGHLAND TRANSPORT

One Authority?

TRANSPORT in the Scottish Highlands is more heavily subsidised than anywhere else in the country. Few, if any, stretches of railway north of Aberdeen and Perth pay their way; some of the routes, particularly to the west coast, were plainly sited in the wrong places from the outset. British European Airways are said to have lost over £500,000 in their operations to the islands last year. MacBraynes steamer services now cost the taxpayer £260,000 a year, and the Orkney and Shetland boats another £30,000. If the new and energetic Secretary of State for Scotland, Mr Noble, is to come to terms with Lord Douglas of Kirtleside—and, even more, to persuade Dr Beeching to keep some of his Highland lines open for social reasons—he will need to produce some bright ideas very shortly. He may be helped by the findings of the latest Highland transport inquiry, which are expected to be published by the middle of this month.

Plainly the island air routes would lose much less money if they were run as "bush services" (which in reality they are) without the full complement of administrative, servicing and fire brigade staffs that are now employed. If BEA cannot bring itself to operate in this way there is a strong case for giving the franchise to a company that will. But how best can subsidies be apportioned between air, rail and rural bus services? There are signs that the old idea of a Highland transport authority, with executive powers, may be finding official

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favour again. Its initial authorisation should preferably be for not more than seven years, after which the redistribution of the population and the further growth of private transport could produce a new situation in some areas. The authority should not be a pressure group for more subsidies, but should be given a certain annual sum from the outset; and then told to try to cut this sum down each year by seeking the most economic way of running a cohesive transport system throughout the region. The bulk of the authority's funds would have to come under the Scottish Office vote, but the principle of some local contribution from rates (which the Jack committee recommended for rural buses) ought not to be lost sight of. Since the crofting counties depend heavily on the equalisation grant to run their affairs at all, any new burden on their ratepayers would be almost non-existent. But the need, particularly in better-off regions, is to bring home to everyone exactly what this kind of social service costs. That is what the establishment of an authority of this kind would do.

GERMANY

Mirror on the Wall

OUR Bonn correspondent outlines on page 452 the facts of the judicial and police action unleashed in the night of October 26th against the weekly *Der Spiegel* ("The Mirror"). A good deal in this affair is still obscure: all the same, it does seem that there is a looking-glass here in which the west German state can learn something about itself. *Der Spiegel* is the kind of tough, unsqueamish paper that would cause any government frequent discomfort. However, since its life to date has virtually coincided with the long reign of Dr Adenauer and of the Christian Democratic Union, it is they who have most reason to hate and fear it. There have been exposures, scandals, malicious titbits, embarrassing lawsuits, ruthless criticism, and in at least one

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case that of the defence minister, Herr Strauss, a sustained campaign of vilification.

One need not defend all the paper's methods and mannerisms to want to see it treated fairly in the disputes that arise between it and the west German authorities. Last week saw its offices seized in a night raid just as it was going to press, on a complaint against matter published 18 days earlier. The files and the photographic library, instruments on which an illustrated weekly depends heavily for its editorial production, are under sequestration while security officers comb through them—for what? There were attempts to pre-censor next week's issue. The suspicion arises that one object of the operation was to force the paper to stop publication; if it has failed, this is largely because of the warm-hearted way the Hamburg press has rallied round and helped. The owner, Herr Augstein, and several of his senior staff have been kept under arrest; one of them—at whose request?—was picked up on holiday in Spain. All this seems pointless from any judicial point of view.

Who ordered these actions, and who decided the arbitrary and oppressive manner in which they were carried out? The answers affect the nature of coalition government in west Germany, since it turns out that in two ministries that were concerned (the federal ministry of justice, and the North Rhine-Westphalia ministry of the interior) a Free Democrat minister was kept in the dark, while his Christian Democrat state secretary was told. They also affect the nature of the federal form of government. Police powers in west Germany are supposed to rest with the *Länder*; what say, one would like to know, has the *Land* government of Hamburg had in the use of its police in an action ordered from Karlsruhe and, as it seems, politically inspired from Bonn?

JAPAN AND CHINA

Just a Little More

MR TAKASAKI, an influential figure in Japanese politics and formerly minister of international trade, has been expected in Peking this week with a semi-official trade delegation. Nostalgic Japanese will think of the "good old days" of flourishing Sino-Japanese trade and all that; Japanese socialists will hope for closer links with kindred Chinese souls and a chance of jabbing at less kindred American ones; many politicians, especially in America, will find little joy in either prospect. But, when looked at a little more closely, both the hopes and the fears about Sino-Japanese relations crawl back towards the less spectacular mean.

Since the 1958 fiasco, when China broke off trade mainly over the question of Japan's not granting diplomatic recognition, Peking has come to realise that as yet it cannot compensate Japan for antagonising the United States and Formosa—two of Japan's good

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customers—in this sensitive matter. In addition, the Chinese need credit. On September 19th Marshal Chen Yi, China's foreign minister, went so far as to say that Peking "fully realises Japan cannot sever relations immediately with Nationalist China."

Recently such leading figures in Japanese government circles as Mr Yoshida, Mr Kishi and Mr Ikeda (the present prime minister) have come to favour trade with China. Britain, Germany, Italy and Australia—which are also America's allies—have been expanding their trade with China, in part by granting credit. To the Japanese, China at present is neither a promising nor a reliable market, but times may change and the Japanese have no wish to be left out.

The proposals Mr Takasaki prepared for Peking carefully avoid the question of diplomatic recognition. Trade, he will suggest, should be carried out under a five year barter arrangement which would allow the Chinese to make small deferred payments, but trade must balance by the end of the period. Japan will offer iron, steel, agricultural equipment and vehicles. Ammonium sulphate fertiliser had to be removed from the list when Nationalist China threatened to cancel large orders of this fertiliser if it was offered to the communists on deferred terms—which are not given to the Nationalists. Since Peking insists on barter terms but has little to offer besides soya beans, iron ore and a little coking coal, Japanese officials do not expect trade to rise above \$200 million a year, which is about double the current figure and about equal to Japan's trade with Formosa and the Soviet Union. With Japan's foreign trade now totalling about \$9,500 million a year, the proposed agreement with China hardly seems a frightening prospect.

HEALTH SERVICES

Administrative Upheaval?

THE national health service, as is emphasised in a report* out this week, is only a part of a huge web of services concerned with the health of the people. In addition to the Ministry of Health and the Scottish health department, nine other Government departments provide health services of one kind or another; and the national health service itself is divided among three administrative spheres. These are the local executive councils, which are agents of the Ministry of Health and are responsible for the running of the general medical services; the hospital boards; and the local authorities, which are responsible for social, preventive and environmental services.

The new report comes from the Medical Services Review Committee, set up by the royal colleges of Great Britain, the Society of Medical Officers of Health, the College of General Practitioners and the British Medical Association. It was thus a

* A Review of the Medical Services in Great Britain. Social Asay. 18s.

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thoroughly professional body and, as is only to be expected, the professional point of view and the importance of professional representation are emphasised throughout. But though there is nothing revolutionary in the report's recommendations about the "terms and conditions of service" of individual practitioners—the capitation fee is, for instance, regarded as the least undesirable form of paying family doctors—it does come out with some fairly radical proposals for reorganising the whole structure of administration of health services in the country.

Briefly, the Porritt committee suggests that as far as possible responsibility for the various health services should be concentrated in one Government department and that the Minister of Health should always be a member of the Cabinet. Lower down, it recommends the establishment of area health boards, directly responsible to the Minister of Health, which through subsidiary councils should organise the three existing sections of the national health service and the occupational health services in industry and commerce. Doctors, and all other health service workers, would be under contract with this one authority. The report is rather vague both on the size of the areas the boards would be responsible for and on how they would be constituted; pilot schemes should be started to determine the best size.

But in any case is there any chance that any government would even consider such an upheaval of organisation? Now that local government boundaries are under review, the present is perhaps as favourable as any for putting the plan forward. On the other hand, as was mentioned in the Queen's Speech, the local health authorities are to produce their ten-year plans for community

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services this year, and these are expected to promote integration with the hospital and general medical services less drastically than would be involved by the Porritt committee's proposals.

NEW TOWNS

In the Black

THE record of the dozen new towns in England and Wales in 1961-62 should encourage Sir Keith Joseph to push on with creating more of them in the 1960s. Most of them are now not merely a social, but also a reasonable financial success. Nine of the existing new town corporations showed a surplus on their general revenue accounts for the year ended March 31st, amounting to a total of £725,000 (to which the two major successes, Stevenage and Harlow, contributed over two-thirds). The three others showed a total deficit of £165,000 for the year; the chief strugglers are Basildon, which has found the clearance of a rural slum domain unduly costly, and Peterlee in the Durham coalfield.

Despite rents that are considerably higher than most local authorities', the new towns in the south have become pockets of industrial affluence. Bracknell reports a serious problem over car parking and garage facilities, which the postwar planners had not anticipated. Harlow has now employed a large private contractor to build (without Government subsidy) three-bedroom semi-detacheds for renting at £4 a week—an interesting experiment which will deserve to be very closely watched. Sir Keith should be exploring how best to associate private enterprise on a bigger scale in building better houses for rent in the next new towns.

It is a healthy sign that a previous minister's remarks on "new town blues" have drawn vehement and substantiated denials from the spot. Leisure facilities have been greatly improved, and, despite sociological criticism of the breaking up of working-class families, Hemel Hempstead roundly claims that "whole clans have re-established themselves" in their new surroundings. The main worry of a town like Crawley (with 80 per cent of its population under the age of 44) is how to expand to cope with the next generation of new-marrieds. This factor, and the emergence of the family car in town centres, suggest that to tack on more overspill to existing towns, as the Ministry has been hinting, would be much less satisfactory than starting afresh on new sites—provided the operation is planned from the start in keeping with the motor age and modern income levels.

CORRECTION

In the table included in the leading article "Bills in Prospect" of last week, the 1962 purchasing power of the pension of £725 paid to an assistant secretary in 1939 should have read £2,070; not £2,855. The 1962 purchasing power of the £165 paid, in 1939, to a two-year trained teacher, is £471; not £485.

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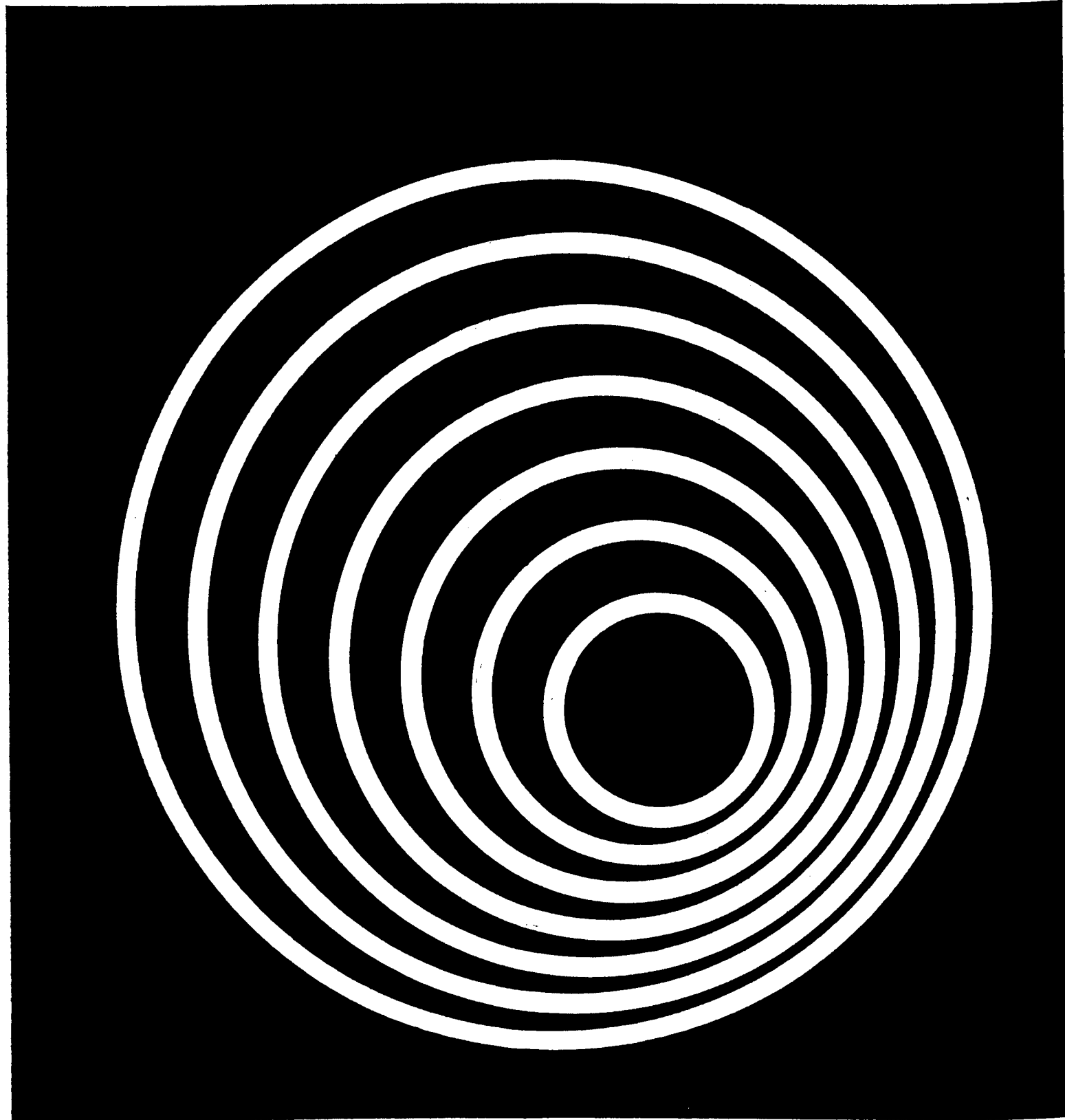
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Defeat in Victory

FROM OUR PARIS CORRESPONDENT

GENERAL DE GAULLE'S blitzkrieg against parliament did not come off. The political parties, as was expected, lost the day on Sunday. But General de Gaulle did not gain the conclusive victory that was to decide the conflict once for all. The judgment of Paris is that he has won the referendum but lost the plebiscite. 61.76 per cent of valid votes cast is, by normal French standards, quite a comfortable majority. The constitutional amendment proposing that future presidents should be elected by direct universal suffrage has thus been approved by the French electorate. The method of presidential election, however, was to have been merely a convenient ground on which to stamp out the revival of the political parties, shatter their attempt at a coalition and so prove that the French people want to be ruled by their "guide" and not by parliament and party politicians.

Despite the general's pressing appeals for a massive vote, echoed by the state's propaganda machine, and despite his threat to resign should support for him prove lukewarm, the number of abstentions rose from 15.1 per cent in 1958 to 22.75 per cent, and the gaullist vote slumped from 17.7 million to 12.8 million. (This comparison with the 1958 constitutional referendum is the fairest one.) Until polling day, inspired voices were swearing that the president would resign if he did not obtain the votes of at least half of the total electorate. But he polled only 46.21 per cent of those entitled to vote. Courtiers' pledges are not binding; they serve, however, as an indicator that the results fell short of official expectations and played havoc with gaullist strategy.

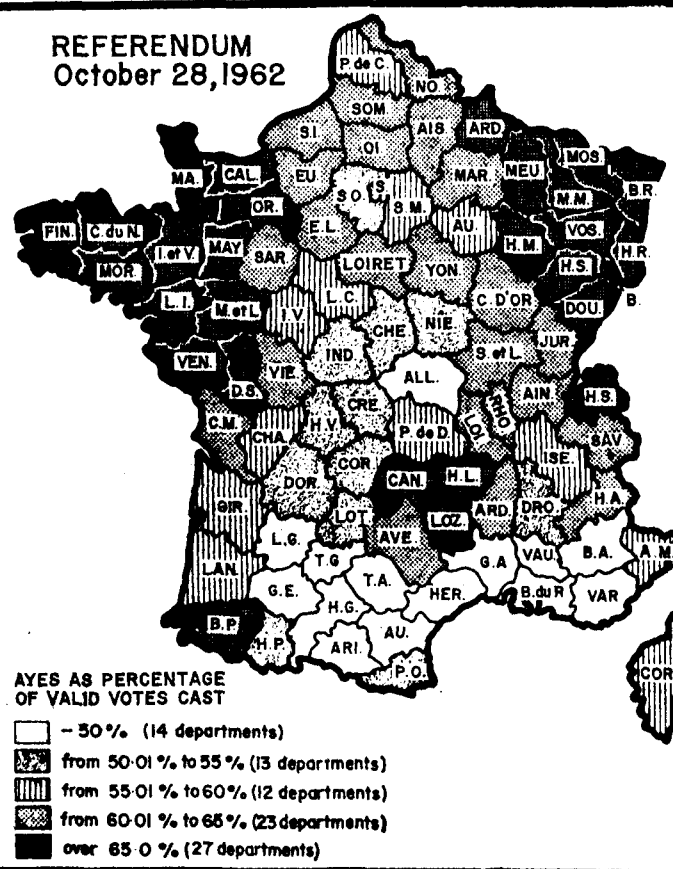
The strategy is fairly obvious. On Sunday, as soon as the count ended, M. Frey, the minister of the interior, putting a good face on a disappointing outcome, produced the arithmetic that, in the original plan, was to have proved devastating. The "noes" had collected seven million votes, or 38.24 per cent of the votes cast. After attributing about 20 per cent to the Communists and a fraction to the diehards of French Algeria, the minister left less than 15 per cent to be shared among the other parties, ranging from M. Pinay's conservatives to M. Mollet's socialists. There is an element of truth in this arithmetic. (The other gaullist argument, about the influence of the Algerian refugees, must be dismissed outright. Their

250,000 or so votes were drowned in an electorate of 27.6 million.)

But for the calculation to have been really effective, the "yes" vote should have been bigger. The political parties are bound to do much better in the general election on November 18th and 25th than they did in this personal popularity vote. They can also claim that, in addition to swelling the number of "noes," they contributed to the increase in abstentions and therefore to the drop in the gaullist vote. The purpose of the whole operation was to show that the nation, following its guide, was almost entirely united in its condemnation of the parliamentary parties. The outcome is to show that Gaul stands, politically and geographically, divided.

The classical distinction between stagnating France south of the Loire, and expanding France north of it, is not quite adequate to explain the geographical distribution of the votes. Brittany, where the "yes" vote was massive, is not an area of dynamic expansion. Indeed, what happened in Brittany suggests the other explanation, the social and historical one. The Breton West, and the East bordering on Germany, are the two regions where the plebiscite was really triumphant. They are also traditionally conservative areas, where the influence of the church is great. The South, on the other hand, which provided 13 of the 14 departments where the noes had a majority, is anti-clerical, has radical roots and a

REFERENDUM
October 28, 1962



Popular Front tradition. This re-emergence of the *Midi Rouge* confirms the general impression that the anti-gaullist opposition is backed, predominantly, by the Left.

Conservative and Catholic (or Popular Republican) politicians, whose strongholds are in the northern half of France, either avoided taking sides or were deserted by a great number of their traditional supporters. The drop in the gaullist vote, though general, was uneven. In the smart districts of the capital the ayes still had a very comfortable majority. In the Red Belt of Paris they were reduced to a minority. Similar examples could be multiplied. The only partial exception to this rule lies in the industrial region of northern France. There, the general gained a fairly comfortable victory in areas where communists and socialists combined have a majority. Yet this is a region where the gaullist movement has been strong in the past, where television is now widespread and where communists and socialists have been feuding bitterly for years.

The general election has suddenly regained significance. The parties, defeated on points at the referendum, expect to make a come-back. Short of a miracle, the faithful battalions of the general's UNR will not return to the chamber in anything like their 1958 strength. The objective of the referendum was to prevent the election of a hostile chamber—or, more exactly, to render parliamentary opposition irrelevant.

His original, ambitious, plan of campaign having failed, how will the general adapt his strategy? Though he ruled out resignation on Wednesday, the things he can do are many. One would be to take a more active part in the electoral campaign, in an effort to transform Sunday's ayes into a parliamentary majority. The venture would be risky. The electoral arena is familiar to the parties, and the semi-success of the referendum could be turned into decisive defeat. The general is more likely to carry on campaigning by proxy. On Tuesday the faithful M. André Malraux, now minister of culture, launched the Association for the Fifth Republic, which is to distribute certificates of good gaullist behaviour to candidates, and not just UNR ones. Logic should drive the government to seek the support of understanding conservatives and M. Pflimlin's wing of the Popular Republicans. The climate is favourable for such a reconciliation. The reddish colour of the "no" vote is worrying the leaders of the anti-gaullist coalition, and fear of a Popular Front favours the idea of appeasement even among M. Mollet's socialist entourage. Coalition, however, means compromise; and it is concessions to the parties that the general wanted to avoid. Still, he may resign himself to a temporary truce and, though with greater reluctance, bargain with the politicians—as he bargained with the officers in Algeria—until a more opportune moment comes to strike.

SYRIA LEBANON JORDAN

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Brussels Seismograph

FROM OUR BRUSSELS CORRESPONDENT

OBSERVERS of Mr Heath during his visits to Brussels have established their own seismic register of how the common market negotiations are going by seeing how much the Lord Privy Seal's shoulders shake when he laughs. Last Saturday, October 27th, the shoulders were notably still, and the laughs notably absent, as Mr Heath reported the clashes between himself and the Six, this time over questions of India and Pakistan, and British agriculture, in the previous three days of negotiation.

The present dispute on agriculture exclusively concerns the transition period. Both sides agree that by the end of that period Britain will fully adopt the European Community's common agricultural policy. But the British wish to taper off their present system of deficiency payments during the transition period, while the Six wish them to abandon it immediately on entry, on the ground that to retain it would give the British farmer a price guarantee for a few years that his continental counterpart does not enjoy. They fear strong demands from their own farming lobbies for something like the British system, in preference to the community's newly adopted plan which exposes the farmer to some degree of market fluctuations—although on one main item, cereals, a guarantee is provided by the device of the "intervention" price, below which farm prices are not allowed to fall.

What the Six propose for Britain is that in cases where the British guaranteed price is below the community price—that is, chiefly in cereals—it should rise to the lowest community level (from around £20 to around £32 per ton) immediately on Britain's entry. Where it is above the community level it should move down gradually to the community price, the gradualness being assured if necessary by tapering subsidies to the producer. In both instances the price to the consumer would move gradually upwards to the community market price, the gradualness in this case being ensured by tapering subsidies to the consumer.

Neat as this blueprint may be, the British have dismissed it as totally unrealistic. It would mean changing a system which the British Government is pledged to continue throughout its present mandate. It would mean administering a new, complex and unfamiliar system during a short period before changing again to the permanent one. It might have quick repercussions on Commonwealth trade, and it would cause lack of confidence among farmers because their guarantees would be cut earlier than they expected (even though it is likely that they would not need them). Above all, it would mean forcing on the farmer, on Parliament, on the civil service and on the general public an upheaval that in scale would be far beyond anything required of the six common market countries, and for which the British firmly say they do not see the necessity. In terms of the purely material interests of the British farmer, one can see the possibilities in the Six's proposals. The common market's economists claim, probably correctly, that under their scheme the British farmer would do as

well as at present. But the Six can fairly be blamed for ignoring political and psychological realities in their presentation of their case. They appeared genuinely surprised last week at the strength of Mr Heath's reaction. There is already some sign that they are willing to modify their blueprint, though the going will not be easy when Mr Heath returns to Brussels on November 15th.

The Six's lack of awareness of how their proposals appear to onlookers was illustrated also in the discussions on India and Pakistan. Three elements of the Asian question had been settled in August, when the community proposed that the present 18 per cent duty on tea should be abolished, that Britain should only gradually apply the common external tariff on textiles and other exports and, above all, that comprehensive trade agreements should be worked out between India and Pakistan and the enlarged community. Last week the Six refused the request for a delay in Britain's application of the tariff for a "reasonable period" while the agreement is being negotiated. Moreover, they rejected Mr Heath's plea for the abolition of tariffs on industrial products important to India and Pakistan. All they offered were small reductions in the present high tariff levels—for instance, 28 per cent instead of 32 per cent on carpets.

THIS is a niggardly offer. The Six justify it on several grounds. They say that nil tariffs might give unfair advantages to British industry, and that each item in question is of special interest to some member country: the Belgian carpet industry, for example, is now in dire straits because of its recent loss of sales on the American market, and cannot afford new rivalry from a low-cost country. Moreover, they remind India and Pakistan that not only will the common external tariff be lowered in the next round of tariff negotiations with the United States, but that a further reduction is envisaged as part of the comprehensive trade agreement which is to begin within three months of Britain's entry. There is little doubt that the Six are aware of the economic and political problems of India and Pakistan and sincerely intend to help. The present arrangement is meant to be no more than an enticement played out against the backdrop of the Treaty of Rome, filling the interval between British entry and the comprehensive trade agreements. But their attitude is tinged, too, with lingering memories of the still quite recent days when they themselves were on the breadline, at the receiving end of aid. They need a little time to play themselves into the role of the rich man with the rich man's responsibilities. They should not be surprised if, while they are earnestly studying their parts for the next act, they are criticised for the slightly skinflint figure they cut in this one.

The other news on the common market front this week is the publication of the EEC commission's action programme, a 125-page document in which the word *communautaire*—unloved by General de Gaulle and the French Academy—occurs sixty-three times. With some caution and occasional deliberate vagueness, the document sets out the goals of common policy for the second four-year stage of the common market under eleven headings that range from energy to development aid, from monetary policy to administration and finance. It points out that the European community represents not merely a customs union nor even an economic union, but "a political union in the economic and social fields."

The programme's timing, coming as it does during a sticky phase of negotiations with Britain, may seem somewhat tactless; British officials in Brussels apparently found copies hard to come by, and those only in French. But it would probably be a mistake to see the commission's programme as a move to force the pace on Britain. The passage last January to stage two of the transition period means that common action, and therefore the role of the commission, begin to come more to the fore. The six governments had asked the commission for a programme of proposed

work. Last month, in Strasbourg, it was criticised by the European parliament for not having taken the initiative more often in filling out the framework of the Treaty of Rome.

More than this, however, the commission and other community circles have been growing aware that progress towards economic union has been slow on matters that, unlike tariff-cutting, are not likely to offer quick material returns. The action programme is no doubt intended to stimulate a real start on the more difficult parts of the treaty while the community still enjoys the euphoria of its early success. The common transport and energy policies are proving tricky; so are cartel questions, in which so far a multitude of firms appear to be dragging their feet about complying with regulations, hoping that the commission's administrative resources will be insufficient to find them out. Clearly the commission is wary of leading too fast where governments and powerful organisations are slow to follow it; the unhappy experience of the Coal and Steel Community's High Authority over the coal crisis is too recent for that.

The power of the communal institutions is in fact now facing its first big practical test, in the application of the agricultural regulations begun at the end of July. German, Belgian and French farmers have already made public protests. This probably helps to explain the commission's stand on the British agricultural question; no doubt it is anxious to show itself prepared to be as tough with the British farmer as the Community farmers imagine it is being with them.

Samson at the UN

FROM A SPECIAL CORRESPONDENT AT THE UNITED NATIONS

MR MIROYAN has hastened to Havana either to sweeten Dr Castro's pill by assurances of continued Soviet economic aid, or to bolster the Cuban ruler in some different fashion. Meanwhile, despite U Thant's assurance that he was "reliably informed" during his visit to Havana that the dismantling of the Soviet missiles and installations was in progress and would be completed by Friday, Mr Kennedy has been under fire from angry or apprehensive Congressmen, and other Americans, demanding to know what Dr Castro and the Russians are really up to and how much they may get away with after all. At the United Nations, Mr Kuznetsov, whose appearances usually signal fairer Soviet weather, has been busily attempting to allay American suspicions with amiable words, and has also had kind words for the Indians.

However, the United Nations appears to some Americans as a Delilah of whom a United States that has just successfully flexed its muscles ought to be afraid. Uncle Samson, in their view, must resist all attempts to lull him to sleep, especially eschewing protracted slumber-inducing discussions such as have characterised former armistices and arms withdrawals in which communist states were involved. These Americans would regard as much too sanguine the UN estimate that the entire job of removing and shipping out the missiles could be done in three weeks at the comparatively trifling cost of \$250,000. They believe that dismantling and removal is only half of the necessary total operation. The other half ought to be a painstaking scrutiny of the entire island on the ground and from the air, undertaken, if desired, by neutrals, but ensuring beyond all doubt that no missiles had been hidden away. They add that the Russians ought to be made to pay for this more thorough and costly operation since the Russians put the missiles there in the first place. Other questions calculated to give headaches to politicians as well as to international lawyers may be raised before this exercise is over, concerning, for instance,

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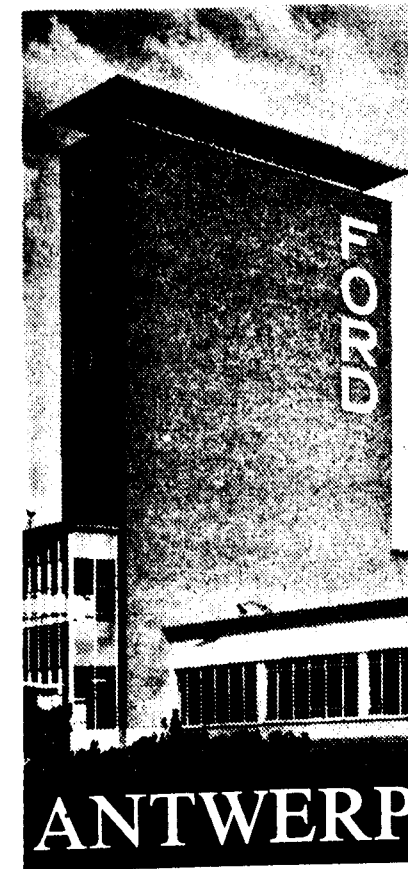
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YOUR KEY  TO THE EUROPEAN COMMON MARKET

Cuba's sovereignty and UN assurances of its security that would be binding on the United States. Long-range missiles are undoubtedly offensive weapons, but what of Soviet military jets?

All Americans are agreed that the first imperative is to get the Soviet missiles out of Cuba; but behind that there would appear to be considerably less unanimity. Some Americans favour casting the whole problem "into the UN," but others dread this course. Those in favour now see some hope of a breakthrough on such vital matters as an agreement to end atomic tests, disarmament by inspection, and a ban on the proliferation of nuclear weapons. They feel that Mr Khrushchev, if properly managed, might be induced to boast to his people about having successfully initiated the "disencirclement" of Russia by a deal with the United States on bases, instead of being moved, if handled less carefully, to take a tough line about Berlin. This school of thought positively desires Mr Khrushchev to come to the United Nations and bask in the approval of the world as the great peacemaker—a part, incidentally, which about seventy per cent of all delegates at the UN would this week be prepared to concede to him. This very admiration of Mr Khrushchev, which it views as shallow and unthinking, is of course one reason why the opposing school of thought is distrustful of the United Nations.

There are also two schools of thought about Dr Castro among highly placed Americans. None admire him, all detest him. Nevertheless some feel that what they think must surely be his bitter disenchantment with Russia may proffer an opportunity to try, even now, to reverse the policy of shoving him even deeper into the Soviet embrace. Alternatively, they hope that Dr Castro himself might now be brought down by the deep Latin American sense of nationalism that his becoming a despised Soviet dupe must have outraged. There is even speculation that Dr Castro or another might in time be induced, like earlier revolutionaries in Mexico, to engage in discussions about compensation for confiscated American properties in Cuba. But in all this the greatest enigma remains not Cuba but Russia, and, until Russian intentions are clearer, the Cuban question must remain a cliffhanger.

Latin Alliance in the Rain

FROM OUR CORRESPONDENT IN MEXICO

THE Cuban crisis burst like a cold morning shower over the heads of the finance ministers of 18 Latin American countries and the United States who had gathered at Mexico City for a six-day meeting that began on October 22nd. They had come, as members of the Inter-American Economic and Social Council, to review the first year of the Alliance for Progress and plan for the future. Cuba, expelled from the Organisation of American States, was absent; Bolivia, which has been boycotting OAS activities because of a frontier dispute with Chile, attended the last session.

President Kennedy's dramatic broadcast announcing a "quarantine" of Cuba came during the first session and not unnaturally proved a far stronger attraction to most of the delegates than any of the opening speakers. The next day Mr Douglas Dillon, the chief United States delegate, was recalled to Washington. He was rapidly followed by the senior American newspaper correspondents who had been sent to Mexico to cover a meeting regarded as crucial to the alliance. The conference was overshadowed by the threat of war, and much of the enthusiasm, generated during the previous three weeks of talks between economic experts, evaporated.

The effect of President Kennedy's action on the conference is worth recording because of what had been expected of this par-

ticular meeting. The confident excitement that existed when the charter of Punta del Este was signed in August, 1961, has long dissolved into cynicism. As many delegates pointed out, the alliance has been misunderstood in both North and South America. People in the United States tended to think that though the taxpayers' money was to be distributed in larger quantities than ever before, a new way had been found of bringing prosperity and democracy quickly to Latin America and so stopping the spread of communism. Latin Americans, if they did not actually oppose the alliance, saw it, to quote one report, "not in its true perspective as a multilateral co-operative effort in which self-help plays the main role, but as a vast plan of aid by the United States." It was hoped that last week's conference would clear up what the alliance really stood for, and re-kindle the drive and enthusiasm that had been seeping away. The hope was that it should have as much impact as the original Punta del Este conference itself. So it was bad luck that the wind was so effectively taken out of its sails right at the start.

ALL the same, something was achieved. Probably the best work was done by the experts who met on October 1st and broke up before the Cuban crisis. It took them a week to warm up, but they then surprised themselves and everyone else by indulging in some frank self-criticism almost unprecedented for Latin American government representatives. Mr Teodoro Moscoso, the co-ordinator of the alliance and acting chief of the United States delegation later described this as one of the most hopeful aspects of the conference.

Their frankness was probably induced by an unusually outspoken report produced by the "nine wise men", a panel appointed to review the past year and make recommendations for the future. The report openly admitted that the alliance's call for peaceful revolution and reform "is looked upon with scepticism and incredulity by broad sectors of the Latin American population" because of their past relations with the United States. It also boldly criticised "the nature of the discussions that the foreign aid act provoked" in Washington. At the same time, the report holds Latin American leaders responsible for the people being "unaware of the revolutionary significance of the alliance," and admits that in many countries "the forces opposed to reform... have initiated a powerful campaign of resistance". What the report does not specify is that in many cases these forces are in fact the government of the country concerned. Several OAS officials said privately that the report should have gone further and criticised countries, and governments, by name.

However, most of the delegates had clearly come to understand that American technical and financial aid was only a guide to help them put their own houses in order. Indeed, the figures speak for themselves: the nine wise men say that to achieve the planned annual income increase of 2.5 per cent a head (in face of a population increase of 2.6 per cent a year) Latin America must invest something like \$150 billion in the next ten years. The United States has promised to help find \$20 billion, of which about half is expected to come from United States public funds.

The charter of Punta del Este points to three lines of action: economic and social development; economic integration; and the stabilisation of the price of basic export products. Export earnings are, perhaps, the key to the whole problem. The chief Brazilian delegate, Dr Celso Furtado, said that Brazil has had to increase its volume of exports by a quarter during the past decade just to maintain the level of its imports. The new international coffee agreement, signed in August, has therefore been warmly welcomed, but there was sharp criticism of the United States for reducing the subsidised prices of its sugar imports. Much concern was

also expressed at the favoured treatment of African and Asian competitors in the European Common Market—a problem which, it was pointed out, would become much worse if Britain joined.

The conference passed many sensible, practical resolutions on streamlining the alliance machinery, improving consultation, encouraging private enterprise and launching a vast publicity campaign. But the kernel of the problem is that time is being wasted while the alliance beats against the wall of anti-Yanqui nationalism and the resistance of the privileged few. Nationalism, as Dr Furtado pointed out, is closely tied to the forces demanding change in Latin America. The alliance has yet to find out how to prove to the ordinary Latin American that the United States is with these forces, and not against them.

Special Powers and the Spiegel case

FROM OUR BONN CORRESPONDENT

THE suspicion that the roots of German democracy may still be perilously frail is as widespread in Germany as elsewhere. Assembled at Hanover last week for its triennial conference, the west German trade union federation declared itself opposed to legislation that would invest the government with special powers in a national emergency. War, and an attempted communist coup, are the disturbing possibilities uppermost these days in the west German mind. But who, it was serenely asked under the threatening clouds then spreading from Cuba to Berlin, could be sure that the government of some evil day might not use its special powers to suppress the trade unions? One delegate raised an unintended laugh by anticipating that an alarming drop in exports might provide a wicked Chancellor with just the excuse he would be looking for.

In the world outside the smoke-filled conference hall there was much shaking of heads over the intransigent trade unionists' old-fashioned fears. But only until, scarcely 48 hours later, the federal public prosecutor's office at Karlsruhe came unwittingly to their support. On the night of Friday, October 26th, acting on orders from Karlsruhe, the security police sealed and began to search the offices of the weekly news magazine *Der Spiegel* in Hamburg and Bonn; they arrested the proprietor and editor-in-chief, Herr Rudolf Augstein, along with several members of his staff, and ransacked their homes down even to the mattresses on the children's beds. In a hotel at Torremolinos, near Malaga, in the early hours of Saturday morning, Spanish policemen, acting on a nod from Germany, arrested Herr Conrad Ahlers, one of the magazine's assistant editors, who with his wife had just arrived on holiday there. Still more remarkable, the minister of justice, Herr Stammberger, was not informed about these goings-on in his bailiwick until the following Monday. Herr Stammberger is a Free Democrat. The state secretary in his ministry, Herr Walter Strauss, who is a Christian Democrat, did know, but he did not tell his chief. On Wednesday the minister tendered his resignation to Dr Adenauer, who had still, on Thursday, to decide what answer to make. Herr Stammberger was encouraged in his action by his party leaders, who were all the more incensed because the Free Democratic minister of the interior of North Rhine-Westphalia (who is ultimately responsible for action taken by the Bonn police) had also been kept in the dark by a Christian Democratic state secretary.

This Gestapo-like swoop had been made, Karlsruhe explained, because *Der Spiegel* had published reports "in which important questions of national defence had been handled in such a way as to endanger the existence of the federal republic and the security and the freedom of the German people." Subsequent official statements indicate that the issue of the magazine that had given particular offence was that dated October 10th (and actually put on sale on October 8th); and the authorities were investigating whether the magazine had received any of its information from officers in the ministry of defence. In the course of a characteristically rambling article on General Foertsch, inspector-general of the Bundeswehr, *Der Spiegel* of October 10th discussed the findings of the inquest into the exercise "Fallex 62" carried out by the Nato forces last September. According to *Der Spiegel*, such chaos had been caused by a simulated Soviet nuclear attack that normal communications were almost wholly disrupted, the medical services unable to cope with the casualties and the proud new Bundeswehr had earned no better a Nato "efficiency rating" than "fit for defence in limited circumstances" (the lowest rating of four). The Russians, the magazine conjectured, could have reached the Rhine with ease within their own estimate of seven days. The arrested men, except for one or two since released, were evidently chosen as bearing some responsibility for this painful article.

All this week the government has been subjected to a barrage of angry public questioning about the *Spiegel* affair. It is not that anyone is surprised to hear that this professionally iconoclastic magazine is in trouble again. It is the circumstances of its latest skirmish with authority that have excited so much concern and earned *Der Spiegel* an unaccustomed sympathy. These circumstances disquietingly recall a former arbitrary resort to force to break opposition, and the penalty the German people paid for failing to resist it. It is being asked how this nocturnal police swoop could have been necessary 18 days after the offending publication; and whether the continuing police obstruction on the magazine's premises is not tantamount to a censorship. Above all, it is being asked whether it was purely a coincidence that the law struck at *Der Spiegel* only 24 hours after the Bundestag had exonerated Herr Strauss from charges of seeking advantage for himself and some of his friends out of building contracts for the American forces in Germany. *Der Spiegel* first brought these charges against Herr Strauss, and hammered away at them week after week. Was this the defence minister's, or the government's, revenge? If not Herr Strauss, who inspired the public prosecutor's office to act against the minister's most troublesome political adversary? Unhappily for the authorities, public confidence in the federal judicial organs has not recovered from the disclosure in July that the chief federal prosecutor appointed in April, Herr Fränkl, had been an eminent judicial accomplice of the Nazi regime. (Herr Fränkl has since been retired. A successor has not yet been appointed.)

It was in this unpropitious atmosphere of public misgiving, and with none of these questions satisfactorily answered, that the cabinet approved on Wednesday a bundle of draft laws to invest the Bonn government with special powers in the event of a national emergency. Some of these laws—relating mainly to civil defence—will go through parliament virtually unopposed. But the heart of the legislation, the law that would authorise the government to rule to some extent by decree, entails a constitutional change and consequently the approval of two-thirds of the Bundestag; this the government cannot take for granted. Until last week the Social Democrats seemed to be ready to give the government conditional support. They have learnt since that a majority of trade unionists (the voting at Hanover was 276 to 138) expect them to oppose letting the government have emergency powers of any kind. The *Spiegel* case has aggravated their dilemma.

Fuzzy-Wuzzies in Northern Rhodesia

FROM OUR CORRESPONDENT IN CENTRAL AFRICA

CELEBRATION in Northern Rhodesia of the ninth anniversary of the Federation of Rhodesia and Nyasaland was a little perfunctory. Last Monday, at the capital's main hotel, the federal minister of posts stood up at a sundowner party with a conspicuous number of army officers and simply asked everyone to "drink to the federal state." Farther north, at the railway town of Broken Hill, Sir Roy Welensky reminded an eve-of-poll election meeting that Britain had created the federation. Earlier the director of elections of the United National Independence Party (Unip), Mr Nalumnio Mundia, observed the anniversary by telling a press conference that his party would regard the total votes in Tuesday's elections as a referendum, and that if a majority of the 100,000 African and 30,000 European voters supported Unip or the Liberals it would be taken as a mandate to break up the federation.

Sir Roy's United Federal Party (UFP) has fought hard to prevent the continued existence of federation from being debated as a central issue. The party has produced some statistics in favour of federation; but the UFP manifesto prefers to counter-attack rather than defend, and it praises the federation as "a rampart against pan-Africanism." It gives warning that "if the link with Southern Rhodesia is severed Northern Rhodesia will become the pawn of the pan-African movement, to be pushed hither and thither until chaos and anarchy finally engulf her."

This is the measure of the UFP's understanding of what is happening further north. It has nevertheless proved effective in frightening European voters with its frequent references to "the evil forces of barbarism" and "the savage fist pounding at the door." Pan-Africanism by UFP definition means extreme racialism, preventive detention acts ("the last straw," said Sir Roy, presumably forgetting that Southern Rhodesia has one of its own), repressive legislation against trade unions (this to alarm the Copperbelt white miners), intimidation of opposition parties and swift debasement of European standards. UFP speakers have traced the advance of pan-Africanism from Ghana through Tanganyika to Unip headquarters and claimed that it is mostly financed by "their masters in Moscow." For weeks they have sounded the bugle call to muster all the whites into a tight little square to face the charge of the modern fuzzy-wuzzies.

Throughout the two years of lobbying and crisis here and at Westminster which ended with this twice-amended constitution being reluctantly accepted by all, Mr Macleod and Mr Maudling both tried to make it impossible for a party to win without gaining substantial support from both European and African voters. They realised that nearly all the 15 upper roll seats would go to the UFP on European votes, and that nearly all the 15 lower roll seats would be filled by Unip with purely African support. They therefore devised a most complicated set of percentage qualifications for candidates for the 14 "national" seats. As a result returning officers have been struggling with seven different types of ballot paper and forms which make common market calculations look elementary.

They have, however, failed to use the device of "national" seats for the purpose that was claimed for it, to bring the races together. The UFP candidates, realising that they would never on their own gain the qualifying minimum of 10 per cent of African votes cast, determined that Unip should lose the chance of gaining the equivalent number of European votes. They attacked Unip as a

party of thugs, arsonists and intimidators. All propaganda stops were pulled out in a concentrated campaign of vilification. It included leaflet raids over mining townships, smear posters flatly stating "Unip burns schools," and pamphlets published under the name of a maverick African politician putting together the dozen most immoderate statements Unip leaders have made in four years. The pamphlet's title is "You have been Warned." A platoon of UFP leaders marched up from Southern Rhodesia in support and the former federal finance minister said that any European who voted for Unip would be "a traitor to his brethren."

Against this assault, the attempts by Mr Kenneth Kaunda, the Unip president, to reassure European voters have not had the success they deserve. Mr Kaunda spent most of the six-week campaign patiently trying to remove European misconceptions. He answered abusive questions with grave courtesy. He explained that the party's funds came not from Moscow but from unobjectionable sources such as Sweden and a committee headed by a Tory peer, Lord Hemingford. Each time the murder of Mrs Burton was recalled he apologised deeply for the Unip men who ran wild two years ago. He promised that the mines would not be nationalised, that trade union rights would be respected, and that as far as pan-Africanism was concerned he would always put the interests of Northern Rhodesia first. He attracted large and attentive European audiences and had them laughing and sometimes clapping. But with the UFP alarmism buzzing in their ears few, it seems, could bring themselves to shake his hand or accept his nationalism.

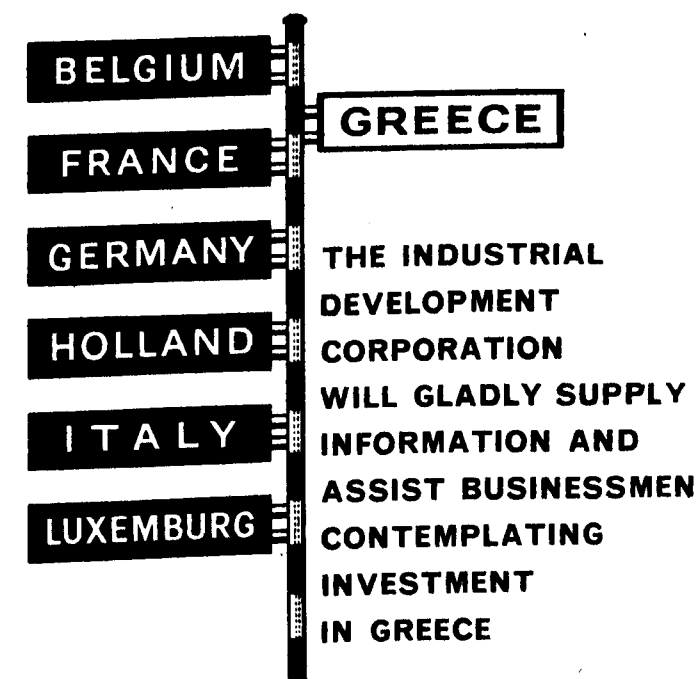
MR KAUNDA has suffered as well from a failure to reach agreement with Sir John Moffat's Liberal party. The Liberals demanded a clear run in the national seats in return for joining with Unip in a coalition government. Unip wanted the Liberals to disband and accept two or three safe seats for their leaders. The two parties ended by fighting each other in nearly every seat and dividing the progressive European support between them. They have few policy differences beyond where to build new railways, and at what age to start school integration. But the Liberals insist there must be a further period of transition while more African leaders get government experience under Liberal tutelage. When Unip rejected this paternalism the Liberals joined the UFP in dubbing Unip a party of extremists that needed purging. It looks like a sad end to the Liberal party. During the past 20 months, three Liberal leaders have been in the government, and quiet reforms in African agriculture and education have been introduced. The Liberals might have been useful as junior partners to Unip in a government charged with more dynamism.

It may now take six weeks to form a new government. The UFP leaders reached polling day on Tuesday confident of winning several national seats because of the arrangement they had made with the faltering African National Congress led by Mr Harry Nkumbula. Few believe that their present alliance will carry these parties, so fundamentally opposed over the federal issue, into a lasting government coalition. The alliance is hailed by its supporters as an example of racial harmony. But most Northern Rhodesians see it as a survival pact.

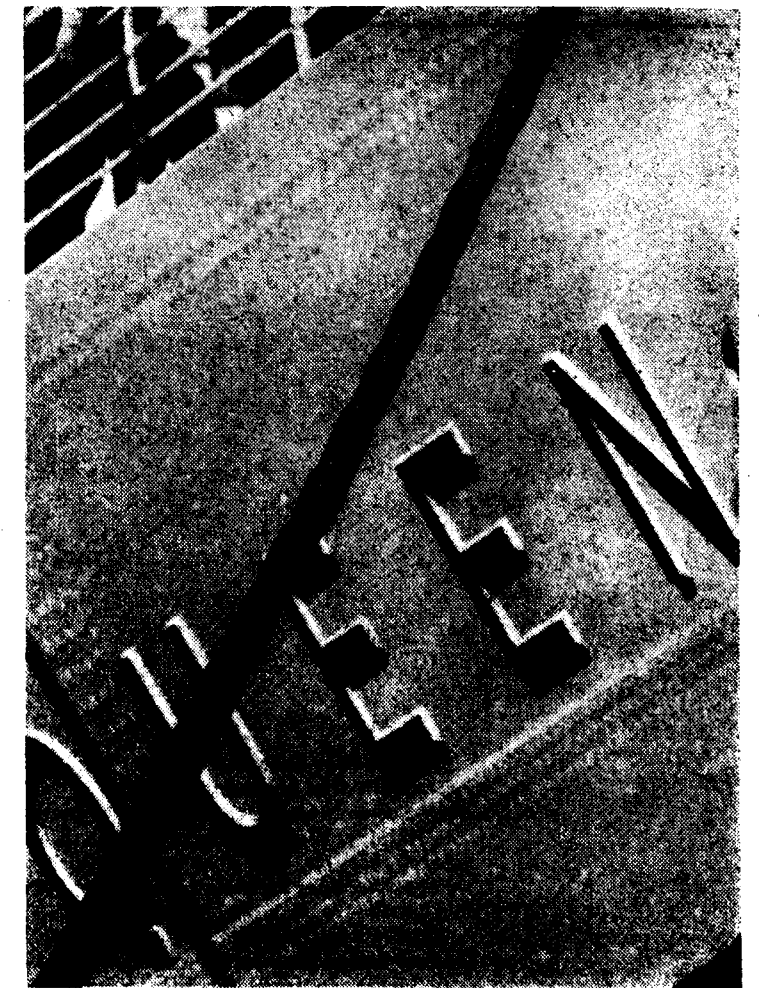
The gloom of watching the white UFP and the multi-racial Liberals spurn the chance of racial harmony has been lightened only by Mr Kaunda's model restraint and by the patience of nearly all his supporters, who have been calm under what they see as heavy provocation. They have clung to calmness in the hopes of being rewarded with an African majority government (one step short of internal self-government), an early end to federation, and a chance to secure for the 3 million Africans some of the revenues from the mines. Mr Kaunda has promised to accept the election results whatever government they produce; but his supporters may yet feel differently.



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President John F. Kennedy, Telstar news conference, July 23, 1962

Q—Mr. President, the United States has reportedly invited Japan and other industrialized countries to invest in the building of plants in this country. Would you explain the thinking behind that, sir, and does it imply also that we are discouraging U.S. investment overseas in plants?

THE PRESIDENT: As you know, the United States investment overseas has been very heavy. In fact, it has been one of the matters which, of course, affects our balance of payments. Over the long run it does not, over the immediate run it does. We are anxious to have others invest in the United States, and particularly to invest in those areas where there may be higher unemployment, so this program is being operated through the Department of Commerce.

Presidential news conference, July 5, 1962

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Cuba on the Ballot

WASHINGTON, DC

THE crisis over Cuba had much the same effect on the American electoral scene as a howling sandstorm has on a particularly dull desert. The drearily flat and lifeless landscape was suddenly transformed into topsy-turvy confusion. Candidates and their campaign managers were tumbled head over heels, like desert travellers whose cosy tents have been ripped apart and who find themselves bowling briskly along the ground, following their scattered and wind-propelled baggage into the heart of the storm. The air is still filled with sand but there is hope that nothing more lethal will be flying about when the elections are held next Tuesday. With due allowance for the obscurity of the view, it looks as if Mr Kennedy's dramatic course on Cuba will pull into the polling booths numbers of voters who might otherwise have sat this election out; and as if most of them will use their votes to support the President.

This likelihood raised questions in some suspicious minds about the timing of Mr Kennedy's Cuban move. But only the Republican congressional campaign committee and a few others dared to speculate aloud that the entire crisis had somehow been manufactured with an electoral victory for the Democrats in mind. The theory has no support from either fact or logic. The Democrats were in little danger and had no need to build up a scare about menacing foreign missiles; there was little chance of the Republicans gaining control over the House of Representatives and none that they would win the Senate.

On the other hand, it seems doubtful whether the crisis has altered the normal shape of mid-term congressional elections, when the Presidency is not itself at stake, enough to enable the majority (Democratic) party to increase the number of seats which it now holds. Even if the total vote is larger than was expected before the Cuban crisis and even if most of the extra votes are Democratic ones, the Republicans still look like doing well in some important states. They may capture the Governorships in Michigan and Ohio, and perhaps in Pennsylvania and California, and may increase their already comfortable majority in New York. Nevertheless, the Democrats are almost certain to retain their ample leads in both houses of Congress. Should the Democrats lose some seats, these are more likely to be vacated by liberal Democrats who support almost all President Kennedy's policies warmly than by conservative southern Democrats who, with varying degrees of stubbornness or fervour, have opposed nearly every domestic reform that Mr Kennedy stands for. It will be surprising if the crisis enables the President to achieve his object, expressed long before Cuba became a really burning issue, of getting enough "pro-Kennedy" Democrats elected to the Eighty-eighth Congress to ensure passage of some of his deeply cherished measures.

Until Mr Khrushchev bounced on-stage in his familiar part of father of lies and author of evils, the election had failed to produce an issue. The Democrats, including Mr Kennedy, sounded less than convincing to many voters when they insisted that only Republicans stood in the way of giving the country improved

welfare, better education and more jobs. A Republican speaker in California unconsciously expressed a truth of wider application when he declared that the people who said that they did not like Mr Nixon but could not explain why ought rather to say that they did not like Mr Nixon's opponent, Mr Brown, and could say why. Confronted for the most part by totally uninspired candidates, the voters were tempted to show distaste, not admiration.

At the same time, what seemed at first sight to be good issues tended disconcertingly to sputter and fizzle like damp squibs. The Billy Sol Estes case, of which at one time the Republicans entertained high hopes as a first-class farming scandal embarrassing to the Administration, was regretfully put aside once it seemed clear that its roots were firmly planted in the soil of the Eisenhower years. A lot of money was lost on the stock exchange when share prices fell, but much of it belonged to Republicans who will vote against the Administration anyway. Grumbles about high taxes are endemic but voters appear sceptical about promises by either party to alleviate their tax burden and almost certainly the Cuban affair has deepened this scepticism.

The Republicans played for all it was worth their criticism of President Kennedy's earlier handling of Dr Castro. But opinion polls showed that the public was dubious about the merits of direct action. People knew what they would like done about Cuba but did not want to pay the price of a Korean-type war, still less of a world war. When Mr Kennedy revealed that the Russians had put missiles into Cuba, which the Republicans had long alleged was the case, his prompt response turned to cheers the boos which otherwise might have greeted his about-face.

Mr Kennedy's handling of this crisis took most of the stuffing out of General Eisenhower's attack on his "dreary record." On the other hand, Democrats like Senator Clark of Pennsylvania, who stoutly supported Mr Kennedy's former stand and dismissed Republican warnings over Cuba as scaremongering, seem to be having a harder time living it down. (Former Senator Pepper, running for a congressional seat in Florida, ducked out from under his awkward reputation as a flaming liberal by calling cannily for an air and sea blockade of Cuba before the President produced his quarantine.) Naturally Republicans like Senators Keating of New York, Capehart of Indiana and Dirksen of Illinois, who had talked most about a build-up of missiles in Cuba, feel vindicated. Perhaps the only politically-conscious part of the United States which has remained relatively unaffected by the events in the Caribbean is Massachusetts. The spell cast on voters there by the President's brother, Mr Edward Kennedy, who is seeking a seat in the Senate, has continued to hold them in thrall regardless apparently of anything happening elsewhere.

CUBA apart, the parties have been battling mainly for the votes of the suburbs and of the farming mid-West. The Democrats hold the cities and the South firmly. Suburbanites, with \$25,000 homes and swimming pools, often vote Democratic nevertheless because in spite of affluence they feel themselves to be "little people" in need of protection from the government. But businessmen, most of whom also live in suburbs, generally vote Republican because they are against "big government"; many of them think, also, that Mr Kennedy acted too sluggishly over Cuba. The midwestern farmers, although dissatisfied with the Administration's farming programmes and inclined therefore to stay with

the Republican party, are a dwindling band of voters, because of the growth of the cities of the plains. The most talked-about tenth of the American nation, the Negroes, must weigh what the Administration has done for Mr Meredith in Mississippi, and what it wants to do for old people with medicare, against heavy unemployment among Negroes and the job discriminations practised against them by trade unions whose white leaders are almost entirely Democratic.

The Administration's much discussed proposal for financing hospital care for the elderly through social security payments seems to have left most voters curiously untouched. But this may be less because they dislike the proposal than because they seem

thoroughly bored with almost all the candidates, many of whom have been risking vocal rupture amid an immense unflattering indifference. Their loudest shouts have been devoted to shrill charges and counter-charges about whose hand has been found in the till. They were therefore caught on the wrong foot when the real issue of the election, and one in which voters were prepared to take considerable interest, suddenly became the firmness of the hand which holds the tiller.

The sad truth is that from Massachusetts to Texas, and from coast to coast, the general standard of candidates is deplorably low. Such candidates are known in the trade as "turkeys." There have

The 1962 Elections

Polling Day—Tuesday, November 6th

THE most sensational—and the most unlikely—thing that could happen next Tuesday would be for the Republicans to gain the 44 additional seats which they need to control the House of Representatives. In fact, if they pick up as many as a dozen or so (when losses have been set off against gains) they will be doing well and the prestige of the President and his party will suffer. On the other hand, the Democrats will be happy if they do no more than retain their present majority of 89 and will count it a real victory if they show a net gain of only a very few seats. This is because the party in power normally loses strength in off-year elections in which the Presidency itself is not at stake.

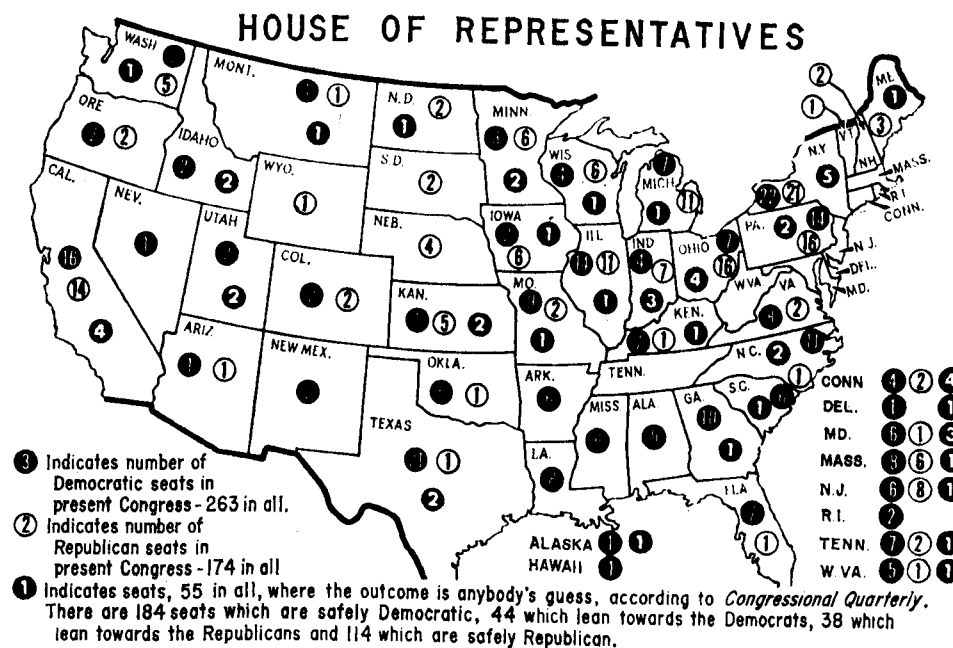
The Democrats are particularly likely to be affected in this way because the number of voters going to the polls falls off when there is no presidential contest to stimulate interest and a high proportion of those who cannot be bothered to cast their ballots come from the poorer, less educated classes which vote Democratic if they vote at all. This year there are about 110 million people in America of voting age—over 18 in Georgia and Kentucky, over 19 in Alaska, over 20 in Hawaii, over 21 everywhere else—but it is estimated that only some 83,500,000 are actually qualified to vote; the rest are aliens, criminals, lunatics or have failed to satisfy state requirements regarding length of residence, registration and so forth. One of the main purposes of the energetic campaign, unprecedented for a President in an off-year, with which Mr Kennedy was blanketing the country was to shake Democratic voters out of their apathy. Now that all election speeches by the President and by the members of his Cabinet have been called off because of the emergency over Cuba, Democratic candidates may suffer. On the other hand, they may benefit from the desire of the voters to support the President in this crisis.

The most recent—and semi-final—survey by Dr Gallup showed 56 per cent

of the people who are "most likely" to vote supporting Democratic candidates. This is only slightly less than the percentage which actually voted for Democrats in 1958, the last off-year election, giving that party a majority of 152 in the House of Representatives. The Democrats' best chance of picking up seats in the House this year are in California and Florida in the new constituencies which have been added as a result of increases in population—and where the new boundaries have been drawn by Democratic majorities in the State Legislatures to favour their own party. The Republicans, however, may win the new seat in Texas and their hopes are even higher in Michigan,

where the inability of the Republican Legislature to agree with the Democratic Governor on how to redistrict the state has resulted in candidates for the new seat running "at large"—that is, being chosen by a state-wide vote. The Republican contender, Mr Bentley, is an extreme and extremely rich conservative who has long been demanding a blockade of Cuba, an idea which has been castigated as warlike by his opponent, a well-known professional Democrat, Mr Neil Staebler. Now the President, whom Mr Staebler supports so wholeheartedly, has probably ensured that his opponent will win.

In the Senate the Republicans would have to gain 15 seats to obtain a majority and there is no chance of this; indeed they will do well if they manage to avoid a net loss. The Republican incumbent, Senator Thruston Morton, is being par-

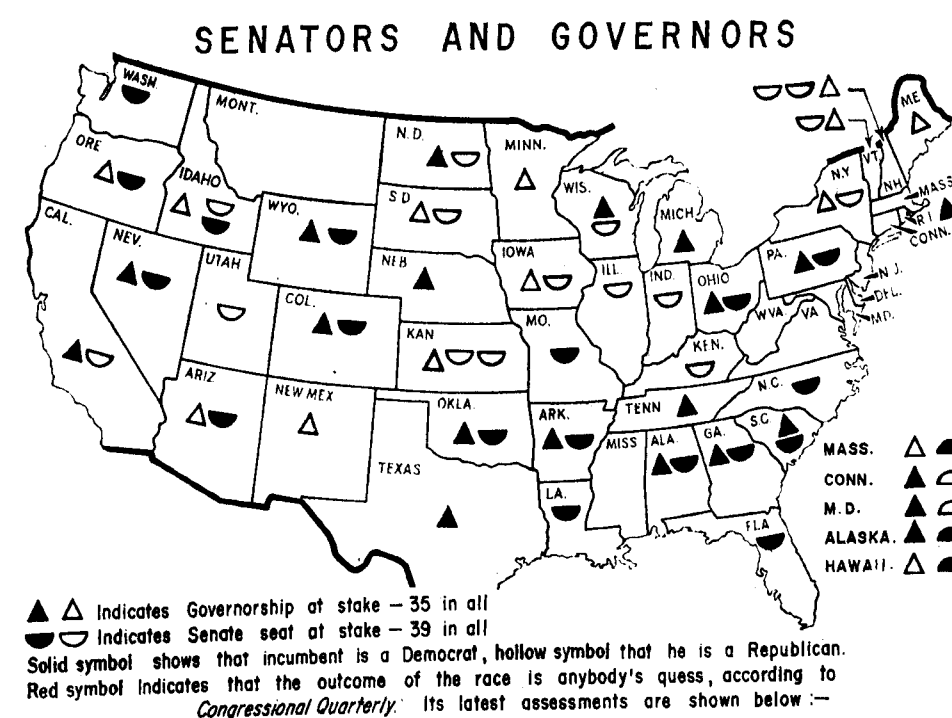
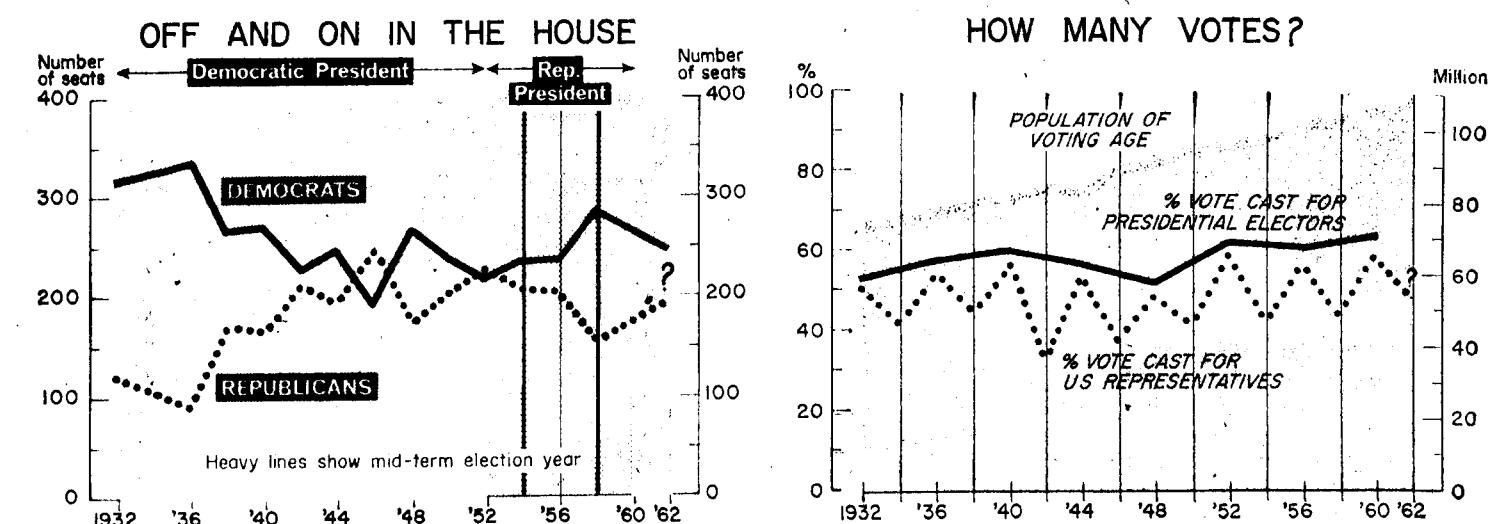


The total number of seats in the House of Representatives to be chosen this autumn reverts to 435 and they have been reapportioned among the states to allow for the changes in population which were revealed by the 1960 census. Nine states gain seats, sixteen lose them, as shown on the list below:—

Alabama	—1	Kansas	—1	Nebraska	—1
Arizona	—1	Kentucky	—1	New Jersey	—1
Arkansas	—2	Maine	—1	New York	—2
California	—8	Maryland	—1	North Carolina	—1
Florida	—4	Massachusetts	—2	Ohio	—1
Hawaii	—1	Michigan	—1	Pennsylvania	—3
Illinois	—1	Minnesota	—1	Texas	—1
Iowa	—1	Mississippi	—1	West Virginia	—1
		Missouri	—1		

been times in these elections when the sum of all their campaigns has sounded like one vast gobble. A mass of mediocrity has been leavened here and there by such energetic exceptions as Mr Romney and Mr Scranton, the Republican candidates for the Governorships of Michigan and Pennsylvania. But by proving the rule such instances serve merely to cast cheerless light on the status of politicians in the United States. Mr Romney is a gifted amateur in politics. He and Mr Scranton are wealthy, successful businessmen. Most successful American businessmen prefer to have nothing to do with politics apart perhaps from buying themselves a politician.

For the Democrats the best hope of gaining seats seems to lie in California. For the Republicans, New York holds out similar promise. But in both places the parties' hopes have sprung largely from more or less unashamed gerrymandering. This year's mid-term elections may turn out to be the dulllest as well as the costliest in recent American history. The Democrats hope to reap an extra harvest from the voters' response to the President's act of leadership which the Republicans could only support. But the new Congress seems only too likely to resemble in almost every unsatisfactory particular the one that ended before Cuba became a Soviet base.



	Governors	Senators		Governors	Senators
Safe Democratic	5	8	Present position for whole country		
Leaning Democrat	4	12	Democrats	34	64
Doubtful	18	8	Republicans	16	36
Leaning Republican	6	5			
Safe Republican	2	6			

ticularly hard-pressed in Kentucky by a liberal Democrat, the Lieutenant Governor, Mr Wilson Wyatt. The Democrats may also pick up an unexpected seat in New Hampshire, where a bitter internal quarrel has divided the Republican party. Few independent observers now give the Republican, Mr George Cabot Lodge, any chance of beating the President's brother, who has fought a competent, expensive and well-organised campaign, in Massachusetts. But just possibly Mr Van Zandt may be pulled ahead of Senator Clark in Pennsylvania by the coat-tails of the Republican gubernatorial candidate, Mr Scranton, should the latter do exceptionally well, as he may, against the Democratic Mr Dilworth.

It is in the gubernatorial contests that the Republican prospects are brightest—although the squabble in New Hampshire may mean an unnecessary loss there. If, as is very possible, California, Ohio, Michigan and Pennsylvania, all of which now have Democratic Governors, are won by the Republicans, they will then control all the leading industrial states—the Republican Governor of New York, Mr Rockefeller, is sure of re-election—and these will be the key states in the 1964 presidential contest. Moreover, one of these gubernatorial candidates will probably be the Republican nominee for the Presidency in two years' time.

Duel to the Death

FROM A
CORRESPONDENT
IN CALIFORNIA



WHATEVER else the Cuban crisis may do to Californian politics this year, it has already propelled Senator Kuchel, the Republican whip, safely back to his Washington post. Once his summons came on October 22nd and he flew off in a naval aircraft to join other congressional leaders in a presidential briefing at the White House, his victory in next week's election over Mr Richard Richards, a State Senator who is a protégé of the leftish California Democratic Council, was assured. No such conclusive assistance towards re-election has come to the Democratic Governor, Mr Edmund (Pat) Brown. His campaign against the former Vice President of the United States, Mr Richard Nixon, was to have received a final boost from President Kennedy whose scheduled visit to California last week was cancelled because of the Cuban situation. The boost was needed to get out the vote, particularly in southern California where 40 per cent of the electorate lives.

Without the stimulus of a presidential visit, to match the lift given to Mr Nixon by former President Eisenhower's appearances on his behalf, California's Democrats are on their own. Their problem in the last days of the campaign is to mobilise their party's vote in support of the President, with the particular object of winning as many as possible of the eight new congressional seats allotted to California this year. If they can succeed in this, they expect also to be able to hold Governor Brown's Democratic support and to win for him many of the independents who comprise an important part of the electorate in the state.

All Californian elections are characterised by the lack of strong party discipline. Nevertheless numbers are important. There are now 7,531,211 registered voters; of these 4,289,997 are nominally Democrats and 3,002,038 Republicans. The perennial problem of Republican candidates in California is that they must hold their own party's voters and must attract bipartisan support in addition. Senator Kuchel is the one remaining legate of the bipartisan tradition established in California by Chief Justice Warren when he was Republican Governor. Mr Nixon, who won over Mr Kennedy in California in 1960 by 35,000 votes, has also proved his ability to attract Democratic votes in large numbers.

The sharply altered focus of political interest away from state issues and towards Washington has distracted Californians from one of the most apathetic and least edifying campaigns in their history. It became plain early in the summer that personalities rather than issues would dominate the contest for Governor. California's problems today are those of expansion; its growing population is approaching 17 million, and it is about to outstrip New York as the most important state in the Union. With its great prosperity, its balanced budget and its progressive programmes for statewide water development, increased educational facilities and social welfare all provided by the joint efforts during the last four years of Governor Brown and a bi-partisan group in the State Legislature, it has been difficult for the Republicans to find anything to argue about.

Therefore Mr Nixon has been challenging Mr Brown's own competence, his choice of staff, his "extravagance" and finally his alleged "softness on communism." Mr Nixon's plea has been that he could run the state better than Mr Brown on less money and with abler assistants. The Republican candidate has promised to save \$50 million by eliminating abuses in the welfare system, economising on state buildings and reducing the size of the state bureaucracy.

Mr Nixon has also revived the old question of communism in California, suggesting that it should be dealt with more positively through legislation and through explanatory courses in the schools. He has not called Mr Brown, who is a devout Roman Catholic, a communist; he has simply indicated that the Governor is not countering communism aggressively enough.

Even here, however, it has been difficult for Mr Nixon to separate what he would do from what he would not do. Thus he is in agreement with Mr Brown that a proposed amendment to the State Constitution, to be voted on next week, which would empower a grand jury, the attorney-general or any federal marshal to designate individuals and organisations as communist without legal process, is unconstitutional and self-defeating. Similarly Mr Nixon has condemned the excesses of the reactionary John Birch Society. In taking a rational stand on extremism, however, he has alienated the extreme element in his party in California.

To win conservative and right-wing support Mr Nixon has again accepted the services of the controversial strategist of past Republican campaigns, Mr Murray Chotiner of Los Angeles, and a familiar pattern has developed of attack by innuendo against the state's Democratic officials. This was capped recently by a series of apparently faked photographs showing Governor Brown, for example, in an attitude of deference to Mr Khrushchev. Democratic efforts to involve Mr Nixon in a loan given to his brother by a defence contractor in the past did nothing to elevate the tone of the campaign.

Mercifully, all of this diversionary sniping has now been drowned out by events. Mr Nixon hastened to make a long television statement supporting the President on Cuba and reminding Californians that he himself had proposed a quarantine publicly in September.

But the President's action deprived the national Republican strategists of the Cuban issue and in the general closing of ranks behind Mr Kennedy Mr Brown takes his place naturally as the responsible Governor of a state which has 25 per cent of the defence contracts in the country. What the somewhat colourless Mr Brown may lack in public appeal can be compensated for by his obvious familiarity with state problems and the fact that there is no question of his integrity and dedication to his job. If Mr Brown is not a great asset to his party at least his victory on Tuesday would be the key to saving California for the Democrats in 1964 and a death blow to Mr Nixon's hopes of a presidential future.

Candidate for Governor

NEW YORK

It would be understandable if Mr Robert Morgenthau should succumb to the paranoid delusion that the entire Cuban crisis has been staged in order to relieve the Democrats of the embarrassments of his forlorn campaign for the Governorship of New York. For now President Kennedy and Vice President Johnson have been freed from their promise to return to New York before the election to do better by the gentle Candide to whom the Panglosses of the New York Democratic party have assigned the most hopeless of all political tasks, that of trying to unseat Mr Nelson Rockefeller, the present Republican Governor. Moreover, as a Morgenthau campaign aide lamented, "our candidate has been pushed off the front pages." In his place appeared reassurances by Governor Rockefeller that the state's civil defence programme was ready to shelter New Yorkers of all parties in the event of a nuclear attack.

The enormous pity and fascination with which New Yorkers have followed Mr Morgenthau's daily humiliations is not the sort of publicity which Democratic leaders crave. During the President's visit to New York on Columbus Day much fun was made of the contrast between the wan



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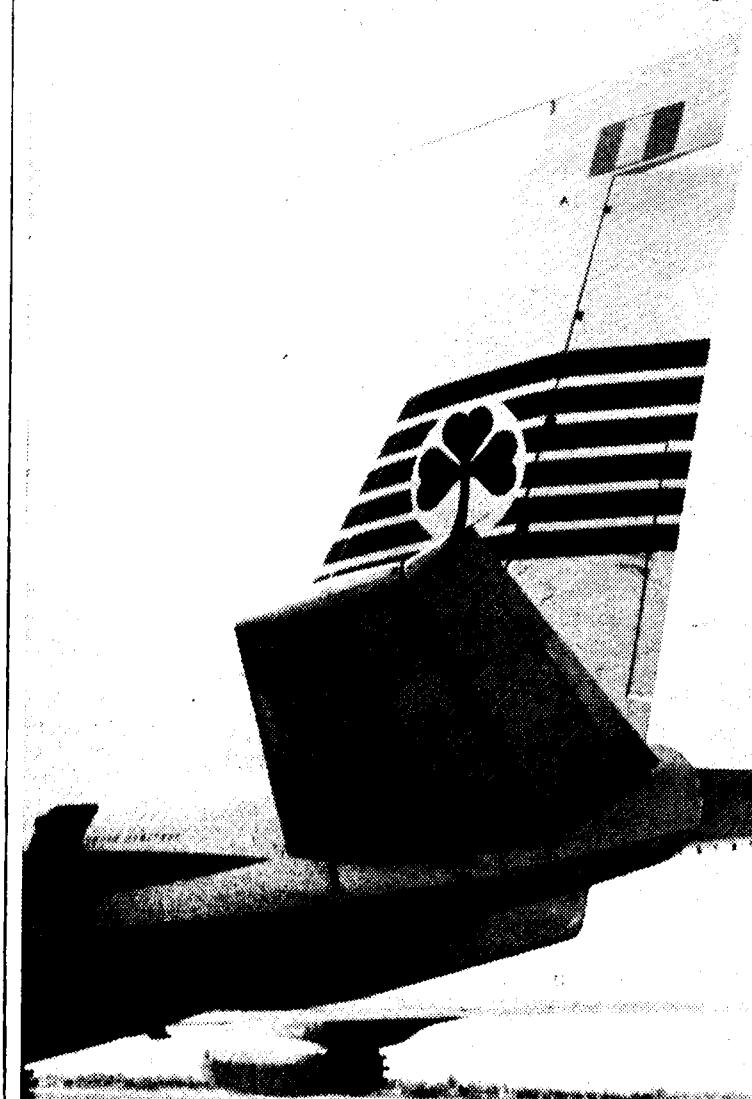
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are always being set—of safety, hygiene control, higher food values. This partnership with Metal Box in constant, forward-thinking research is helping to keep Heinz's lead in baby foods.

THE RETAILER'S-EYE VIEW

Nearly half Britain's food shops sell canned baby foods. In supermarkets alone, canned baby foods are big business. Since it is estimated that, by 1965, 4 out of 5 women will shop in supermarkets, let us hear Mr. Sydney Ingram, Chairman of the Anthony Jackson chain. He says: "We make a special feature of these canned baby foods. We encourage women to take 3 or 6 at a time, because they need the variety, and these little cans are light to carry. Our displays are moving 25,000 cans a week!"

CHILD NUTRITION

Child nutrition is a joint interest of Heinz and Metal Box. Together, they plan far ahead with new ways to improve productivity, food standards and consumer benefits. Metal Box, for instance, have introduced an extra safety factor—a new high-velocity cold-air cooling system for cans emerging from the sterilisers. They also clean all baby food cans before delivery. These are but a few of the services Metal Box offer every customer. They are ahead in food technology, engineering, design and research. With all this, cans are often the cheapest way to pack food products. Could cans improve your product?



METAL BOX

THE METAL BOX COMPANY LTD, 37 BAKER STREET, W.1

novice and the President who, flushed with the exhilaration of his return to campaigning, found himself smiling more often at a more photogenic co-star, Governor Rockefeller. Vice President Johnson was widely credited with political shrewdness when, during his visit to New York, he failed to emerge from his hotel room to accompany Mr Morgenthau, who was waiting in the corridor, on a tour of Harlem; Mr Johnson explained later that there had been a misunderstanding. Local Democratic leaders themselves have been unable to muster the conventional enthusiasm when trying to introduce Mr Morgenthau whose nomination was preceded by intra-party warfare.

The delusions of health which enliven consumptives in the final acts of Italian operas seem to have kept Mr Morgenthau going. He believes that he has a chance of winning—even though Mr Rockefeller, in 1958 when he was relatively unknown, defeated Mr Averell Harriman by nearly 600,000 votes. Mr Morgenthau thinks (and even the *New York Times*, which supports Mr Rockefeller, admits) that the Governor's refusal to debate with the Democratic candidate on the grounds that he is unfamiliar with state issues may seem arrogant to voters. Mr Morgenthau is even more hopeful that the electorate will not relish Mr Rockefeller's scarcely veiled ambition to be something more important than Governor. Mr Morgenthau has even gone

so far as to imitate the campaign techniques of his rival who, with his surprisingly earthy New York accent and rugged good looks, thrives on mingling with crowds. One day Mr Morgenthau shook hands for 14 hours, from Harlem to Chinatown—a feat which even his most idealistic admirers, such as former Governor Lehman, fear may be damagingly out of character.

Supporters of Mr Morgenthau have clung to a more scientific shred of hope: the same polling organisation which guided President Kennedy, Mr Edward Kennedy and New York's Mayor Wagner to their respective successes has maintained that the Democratic candidate's election is not impossible. Yet it has been clear that the party's leaders, especially the President, have not exerted themselves fully for the man who laid down his job as federal attorney on their behalf. One public speech by Mr Kennedy urging Mr Morgenthau's election would have been infinitely more valuable than the two-minute television commercials which were prefabricated during the President's visit to New York.

Now, while the Democrats' hope of diminishing, if not demolishing, Mr Rockefeller before the Republican national convention of 1964 has been almost obliterated, they will at least be spared too strong an identification with the candidate who, according to less beneficent psephologists, may lose an election by one million votes.

West of the Mississippi

In the western half of the country broad economic issues lie beneath the surface sound and fury of individual contests. In the farming states the great question is how to maintain agricultural income without excessive regimentation. Elsewhere the problem is how best to develop the resources and diversify the economies of the arid mountain states and of Texas, where a real two-party system is struggling to emerge. Washington may be far-off but its largesse—and its interference—are central issues in the elections.

Republican Harvest?

FROM A CORRESPONDENT IN MINNESOTA

THIS is no year to be campaigning as a Kennedy liberal in the farm states—and, in fact, few Democrats are. Mr Nixon did well in these states in 1960 and the Republicans made big gains in the House of Representatives. In Minnesota, Wisconsin, Iowa, Kansas, Nebraska, South Dakota and North Dakota the events of the past two years have generally reinforced the Republican position. The redistricting which followed the 1960 census cost these states four seats in Congress and has left the area with an underlying feeling of alienation from a national government attuned to the growing importance of the urban areas.

In the past two years right-wing groups have also been active to some extent in Wisconsin and Minnesota and to a great degree in Nebraska and North Dakota. They have been attacking the federal government as increasingly bureaucratic and urging the people to "work out their own solu-

tions" to their problems. So has former President Eisenhower. "You do it!" he exhorted in Minneapolis in October. "Take back your faith in yourself—don't let one man make your decisions for you."

Nowhere does this feeling show up more clearly than in the reaction to the "supply management" concepts embodied in the original Kennedy farm plan. This proposal, with its prospect of permanent controls over the production of wheat and feed grains and, for the first time, of dairy products, was opposed by every Republican from the area but one. Iowa's Democratic Congressman, Mr Neal Smith, voted against the Administration's proposal and Mr E. B. Smith, the capable professor who is running against the incumbent Republican, Mr Hickenlooper, for the state's Senate seat, is less than enthusiastic about it.

In North Dakota, where the Farm Bureau is small but aggressive, it has been arguing persuasively that the principal effect of the federal wheat programme has been to reduce the state's ability to produce its natural speciality; this year farmers in North

Dakota approved the marketing quotas through which the programme is implemented by the smallest margin ever. In the country as a whole the referendum barely managed to get the required two-thirds approval. Turkey growers, who are especially strong in Minnesota, soundly defeated



a proposed federal marketing scheme advocated by the Department of Agriculture. Finally, the movement this summer to withhold farm commodities from the market is seen as an important indication of the farmers' basic uncertainty about the new supply management concepts and of their willingness to look for long-range solutions to their price problems which do not depend on the government.

All over the area, the farm programme is being debated more in terms of "regimentation" and "controls" than in terms of its effect on prices and farm income. A key test will come in the huge new district in western Kansas, where a first-term Republican, Representative Dole, is using this line of attack in his close race with Mr Breeding, the Democratic chairman of the House agriculture subcommittee on wheat and a defender of the Kennedy programme.

Only two Senate races are drawing much attention: that in South Dakota, where Mr George McGovern, the former director of Food for Peace, is opposing the Republican appointed to fill the vacancy created by the death of Senator Francis Case; and that in Wisconsin, where the Democratic Governor, Mr Gaylord Nelson, is running strongly against a veteran Republican, Senator Alexander Wiley. Mr McGovern, who represented the eastern and more urban half of South Dakota in the House from 1957 to 1961, has been closely identified with the Kennedy Administration. The President has come to the state to speak for him but Mr McGovern has an uphill fight. Governor Nelson had been thought to be a little ahead in Wisconsin until the Cuban crisis but this called attention to Mr Wiley's position as the senior Republican member of the Foreign Relations Committee and also mercifully forced the 78-year-old Senator to suspend his embarrassingly inept campaign appearances and return to Washington. The race is now a toss-up.

No important shift is foreseen in the area's balance of Republicans and Democrats in the House of Representatives. The seven Congressmen from North Dakota, South Dakota and Nebraska—all Republicans and all solidly conservative—seem virtually assured of re-election with one

possible exception. The only race of really national interest is taking place in Minnesota between Representative Judd, a veteran Republican, and a highly-regarded state legislator, Mr Donald Fraser. Mr Judd, who felt himself badly treated by a redrawing of constituencies which gave him the normally Democratic northern half of the city of Minneapolis in order to create a safe suburban district for an attractive first-term Republican, announced at first that he would not run again. He is back, however, barn-storming with the same evangelistic style he displayed as keynoter of the 1960 Republican convention. Mr Fraser, who planned a campaign centred on domestic issues and particularly on the Administration's medical care Bill which Mr Judd, a physician, opposed, has found the ground slipping away under his feet with the public's concentration on Cuba.

The races for Governor are dominated by local issues: taxes in Wisconsin, liquor in Iowa, the problems of the depressed iron ranges in Minnesota, an administrative scandal in Kansas. Republicans may well take control in North Dakota and Nebraska, where Democratic Governors won in 1960 against unusually weak Republican candidates in normally Republican states. In Nebraska, particularly, Mr Fred Seaton, a former White House assistant and Secretary of the Interior during the Eisenhower Administration, is given a good chance.

How the West is Won

FROM A CORRESPONDENT IN COLORADO

The eight mountain states are a region which wears no party's permanent brand. Twice it voted overwhelmingly for Mr Eisenhower and in 1960 it supported Mr Nixon. Mr Kennedy squeaked through only in Nevada and New Mexico. Yet twelve of the area's sixteen Senators and nine of its sixteen members of the House of Representatives are Democrats. On the other hand five of the eight Governors are Republican. Six Governorships are at stake this year, three of which are held by each party; seven Senate seats, five of them now Democratic; and all the present House seats—of which nine are held by Democrats—plus a new one in Arizona.

In years when the Senate is closely divided, which it is not at present, Senate contests in the mountain states are usually hard-fought. Each party's command thinks of the region, with its small state populations, as a hunting-ground for Senate seats on the cheap. The eight big states, which cover nearly 900,000 square miles, contain only 7 million people in all, or less than half as many as California alone. Yet they elect sixteen of the country's hundred Senators. In the House, however, their sixteen, soon to be seventeen, Representatives are lost in the total of 435.

The basic politics of the mountain states can be understood best in terms of a love-hate relationship with the federal government. Of their 900,000 square miles two-thirds are either owned outright by the

federal government or are controlled by it as Indian or military reservations. The Secretaries of the Interior and of Agriculture, who administer most of this vast domain, are more potent than any elected officials. Without the billions of federal dollars poured into land reclamation projects during the past sixty years, the region would still be largely desert but there remains a feeling of frustration, particularly over the slow growth of local industries.

Normally election campaigns consist of boasts by those in office of what they have been able to get out of Washington for the state without sacrificing its freedom and of claims by the outs that they can do better on both counts. It would be a bold—and losing—candidate who came out against federal aid. Indeed some of these states like to keep a Senator of each party in Washington building up his influence, so that the state's interests will be safeguarded whichever party is in power there. For example, Senator Goldwater of Arizona, a Republican, constantly inveighs against big government and high federal taxes and spending but Arizona's Democratic Senator, Mr Hayden, is sure to be re-elected because he can continue to get nice things for the state.

In Colorado Senator Carroll and Governor McNichols, both Democrats, benefit because they did so much to persuade Congress to authorise the \$170 million Frying Pan water project for Colorado. The state receives far more in federal spending than it returns in federal income taxes. Yet Mr Dominick, a freshman Congressman running against Mr Carroll, says that if Colorado could retain half of what it pays in federal income taxes, it could have a "fantastic boom." Since its income has grown by 13 per cent in two years, outdistancing every state but California and Arizona, Democrats want to know what more Mr Dominick expects.



Mr McNichols, a "darned good Governor" according to *Time* magazine, has been in office six years and is opposed by a political novice, Mr Love, who uses his name as his main slogan. But Mr McNichols is suffering from that exposure to fiercely fought local issues which makes the political life-expectancy of Governors so much shorter than that of Congressmen and Senators. Nevertheless he should win, if only narrowly. Another Democrat, Representative Aspinall, is being blamed by zealots all over the country for strangling a Bill to preserve part of America's wilderness. But this is a help to him with his own constituents, who want new industries, not the chance to wait on "dudes" in new recreational areas. This is also a key issue

in Utah where Governor Clyde and Senator Bennett, both Republicans, are expected to win. Both oppose the creation of a huge new national park in south-eastern Utah. In Wyoming this sort of issue is also potent, along with others promising well for the Republicans. If the Democrats are to lose a Governorship and a Senator, Wyoming is the most likely place. But they may also lose a Senate seat in Idaho. In Nevada both the Democratic incumbents are expected to be re-elected.

New Mexico, like Montana, has no senatorial contest but its senatorial circumstances figure, a trifle morbidly, in its hot race for the Governorship. Both Senator Chavez and Senator Anderson are in ill health and New Mexicans speculate frankly that the next Governor may be able to appoint successors to one or both. According to one observer the loss of two Senators of experience and seniority might result in a cut of 20 per cent in federal expenditures in New Mexico.

Phoenix Infrequent

FROM A CORRESPONDENT LATELY IN ARIZONA

IN Arizona small and active groups to left and to right would like to astonish the world by a new departure and their candidates reflect this. But the incumbents, whether Democratic or Republican, are on the whole the sort of prudent persons whom prudent persons like and they will probably be re-elected. Although Arizona's most famous politician is Senator Goldwater, the darling of the Republican Right who is not up for re-election this year, the state's political tradition is Democratic. The venerable incarnation of that tradition is the senior Senator, Mr Carl Hayden. He has been in Congress since Arizona became a state in 1912 and in the Senate since 1927. By now he has amassed more seniority than any other Senator.

During that period, they say in Washington, where Senator Hayden figures less on the floor than he does in committee, "he has smiled his way through more money than any man in history." Arizona receives nearly \$1 billion a year from the federal treasury, more than twice what it pays in federal taxes. The results are plainly depicted on the Senator's campaign poster, which shows him beaming over a landscape full of dams, roads, schools and irrigation ditches, under the simple slogan "Carl Hayden—Arizona's Greatest Asset!" It is difficult for his right-wing opponent, Mr Mechem, to counter this straightforward and fairly truthful appeal to self-interest. He has spent a lot of money and his slogan runs: "Your future is his concern"—a not very tactful allusion to Senator Hayden's eighty-five years. But Arizonans, it is felt, know when they are well off—even though many of them were either under age or not Arizonans at the last election (the state's population has been swollen by young people coming in to work in the new industries and by old ones coming to enjoy the warm winters).

Rather more doubtful is the outcome of the race for the Governorship. Mr Fannin, the incumbent who is a moderate Republican, has been challenged with unexpected vigour by the Democratic candidate, Mr Goddard, a businessman and lawyer of liberal views from Tucson. Mr Goddard's campaign has at least alarmed the Republicans into most strenuous efforts to defeat him. They are weakened by two new factors of untried strength in the state's politics. The first is a challenge to the hitherto dominant, right wing press tandem, the *Arizona Republic* and the *Phoenix Gazette*, which are owned by Mr Eugene Pulliam, a fervent conservative. Their new rival, the *Arizona Journal*, is devoted single-mindedly to the defeat of Senator Goldwater, Mr Pulliam, and all they stand for. The Republicans' other weakness is the property tax, which is now higher than ever before in the state's history, and hurts particularly the numerous class of small householders. This tax is the only issue to have excited the electorate in an otherwise quiet campaign. But public placidity is such that the hopes of liberals and of the John Birch Society alike seem certain to be dashed. In Haydenland no avatar.

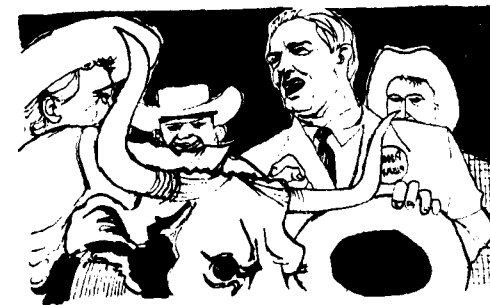
New Star in Texas

FROM A CORRESPONDENT IN HOUSTON

THERE must have been times, during his long weeks of hard campaigning, when Mr John Connally has wished that he could run for Governor of Texas as a Democrat without being challenged to defend President Kennedy at every crossroad. But his Republican opponent, Mr Cox, an aggressive conservative wedded to the far-right philosophy of Senator Barry Goldwater, never lets Mr Connally off. Although a Governor has no power to deal with such national issues, Mr Cox has campaigned against high federal spending, "no-win" foreign policy and other familiar targets of the far right. Recalling his opponent's service in the Kennedy Administration as Secretary of the Navy (1961-62) and his long association with the Vice President, Mr Lyndon Johnson, Mr Cox has tagged Mr Connally repeatedly as little better than a New Frontier socialist. In conservative Texas it looked for a time as though these tactics would pay off. But suddenly Mr Connally appears to be home, now that President Kennedy is doing something about Cuba.

Nevertheless Mr Cox can lose this election and still, in a sense, emerge the winner. Republicans in Texas have a double mission. To elect candidates, they must have a party. Far-seeing strategists among them, who have worked hard in precincts—wards in Britain—and on county committees for several years, assign a slight priority to party-building. Although President Eisenhower carried Texas twice, although Mr Nixon lost it in 1960 by a scant 46,233 votes out of 2,289,631 and although Texas sends a Re-

publican Senator (Mr Tower) and a Republican Representative (Mr Alger, from Dallas) to Congress, votes cast for Republican candidates have generally been expressions of protest, not of loyalty. The Republican chiefs, most of them ex-Democrats like Mr Cox, believe with missionary fervour that they can make membership in the party acceptable in the westernmost state of the Confederacy. They have worked effectively, enlisting housewives, young business executives, professional people and a smattering of Democratic relics fond of the ancient



Texan tradition of being against—almost anything.

In this long-range effort, Mr Cox's part is to be a rallying-point. He talks emotionally of national issues, because local issues revolve around such prosaic matters as creating a favourable climate for new industry, badly-needed in a state whose lopsided economy has depended too long on oil, cattle, cotton and timber, and the pressing need to put vitality into the educational system, too long preoccupied with winning football games, the rudiments of farming and comfortable mediocrity.

While Mr Cox bellows about the national debt and intrigue at the United Nations ("Get the US out of the UN and the UN out of the US", his followers chant) Mr Connally slogs patiently along stressing the needs of Texas. He points to the promise that it will occupy a place in the space-age, exemplified by the National Aeronautics and Space Administration's Manned Space Flight Centre in Houston. He stresses the need for better staff, higher standards and more academic freedom in Texas's sometimes excellent but usually just average

Questions of Colour

I—SOUTHERN POINTERS

AMONG cities in the deep South, Atlanta, Georgia, is outstandingly enlightened but this year, under the impact of court decisions on the proper size of electoral constituencies, it is being positively sensational. It is already certain that a new district created in Atlanta is to send a Negro to the State Senate for the first time in over fifty years. In the Republican primary to choose a candidate for the district, whose population is mainly coloured, a Negro was unopposed and in the Democratic primary another Negro far outdistanced three white candidates.

colleges and universities. He promises to reform the ungainly and inefficient State Constitution. He is determined to run the state government with crisp efficiency, drawing on a lifetime of political experience and on tough administrative ability to prod a balky and notoriously corrupt Legislature into constructive action.

There are still wide open spaces, diamond-studded oil millionaires and laconic cowboys in Texas, but the state has shaken loose from its legend. Well over 60 per cent of its 9.5 million people live in cities. In Dallas, Houston, Fort Worth and San Antonio the problems of an industrial economy and its concentrated population are like those faced by cities everywhere. Yearning for the departed days of rugged individualism, when there was no meddling government, sounds delightful on a campaigner's platform. The day after the election, it makes less sense, whoever wins.

Mr Connally knows this. He is speaking on the issues and although he is careful to preserve his credentials as a moderate conservative, he will win most of the considerable labour, Negro and Latin American vote in Texas. Party machinery in the rural counties is overwhelmingly in the hands of his supporters. All of Texas's 21 Democratic Representatives in Congress are for him. So are practically all state office-holders—usually men of standing and influence in their home communities.

The result, when Texas votes on November 6th, still hinges on factors that cannot be predicted accurately. There is a hard core of about 450,000 Republican votes. Should the turnout on election day prove light, because of bad weather or because voters have been beaten into apathy by the barrage of propaganda from both sides on television, radio and hoardings, Mr Connally would suffer. In addition if President Kennedy meets an unexpected reverse in his get-tough foreign policy, Texas's large colony of warhawks would revenge themselves on Mr Connally. Otherwise a million to a million and a half voters will give Mr Connally a comfortable majority next Tuesday and with it the prospect of a promising political career.

Reapportionment, as it is called, has already cost the seat of Atlanta's conservative and arch-segregationist Congressman, Mr Davis, long a reactionary force on the government of the District of Columbia. He lost the Democratic nomination last month to Mr Weltner, a moderate progressive—something which would not have happened if Georgia's old county-unit rule had still been in force. Twice before Mr Davis had failed to win a popular majority but had been saved by the state's unfair method of counting the votes. The 40,000 or so Negroes who vote in Atlanta turned out in force to retire Mr Davis. The question is whether they will stick with Mr Weltner next week or back the Republican as they usually have in Atlanta. He is Mr

O'Callaghan, who is giving Atlantans the thrill of their first really close two-party race. As neither man is a segregationist and Mr Weltner will vote for President Kennedy's social programme in Washington the Democrats may win most of the Negro vote; Georgia's "big mules"—the financial interests—seem likely to support the Republican.

Representative Davis's seat is one of the eight which the Republicans hope to add to the nine which they already hold in the southern and border states. But one of these nine is in danger nearby in the south-western corner of North Carolina. Here Representative Jonas was swept in on the Eisenhower tide of 1952 and his extreme conservatism has been very popular with the growing business community of Charlotte. But when North Carolina lost a seat after the 1960 census the State Assembly rearranged the districts so that Mr Jonas is having to fight for survival against another incumbent, Mr Kitchin. Mr Kitchin makes much of being a Democrat, but the truth is that he is only slightly less conservative than Mr Jonas. The voters of Charlotte have a choice but it is one of labels rather than of substance. The 10,000 or so Negro voters in the district may, however, decide that the Democratic label has some value.

II—PINEAPPLE POLL

WHILE the world's attention has been riveted on Cuba, in the islands several thousand miles from the other coast of the United States Hawaiians have been conducting a freewheeling senatorial campaign in the best American style. Standing for the Republicans is Mr Benjamin F. Dillingham II, the epitome of the moderately conservative, solid businessman. Mr Dillingham springs from a well-known civic-minded family, one of the islands' oldest and wealthiest—with extensive interests in the state's construction industry and a variety of other enterprises. And he is proud of it.

I want to reinvest some of the privileges, some of the advantages that we have had. I want to build and I want to serve. I have a tradition—a family tradition—to uphold.

Although a newcomer to the national scene, Mr Dillingham has been active in Hawaiian politics since 1946 and in that period he never lost an election. But now his time may have come. Ranked against him on the Democratic side is a much more flamboyant figure—38-year-old Representative Daniel K. Inouye, a much-decorated war hero, leader of Hawaii's important Japanese-American constituency and the



AMERICAN SURVEY

most popular vote-getter in the state. He was elected Hawaii's first Representative in the United States Congress in 1959 by the largest vote ever cast for a candidate in the islands and was re-elected in 1960 by still more votes, 74.4 per cent of the total.

Well aware of the odds against him, Mr Dillingham has tackled this election venture with a thoroughly business-like approach—complete with heavy financial backing and the expert guidance of the Californian public relations firm, Whitaker & Baxter, which is something of a household word among American political managers. Mr Dillingham's campaign has centred on attacking Mr Inouye as a "rubber stamp" for President Kennedy. Singled out for special attention has been the Representative's support of the Trade Expansion Act—which Mr Dillingham contends could hurt the islands' pineapple trade—and of the President's programme for "medicare" for old people. This line of attack met with only lukewarm response from the voters during the early weeks of the campaign and now seems likely to backfire completely. The Cuban crisis has made the label of being a "Kennedy man" easier than ever to wear.

Prodigal Son

FROM A
CORRESPONDENT
IN CONNECTICUT



NEITHER the visits of President Kennedy and General Eisenhower nor all the glory of the autumn foliage have been able to save the campaign in Connecticut from a certain dullness. The trouble seems to lie both in personalities and in issues—or the lack of them. The Democrats have been in power in the state for eight years but have committed no sins major enough to warrant a general house-cleaning. Taxes have gone up but both Democrats and Republicans voted for the rise. "Turn the rascals out" can be a slogan for almost any election but this time no striking rascality has appeared.

As for the personalities, they suffer on both sides from the cult of the inoffensive "nice guy." The top posts to be fought for are major ones—the Governorship, one senatorial seat, all six seats in the House of Representatives—but the characters in the fights are most of them minor. At present the two senatorial places are divided between the parties but the Republican incumbent, Mr Prescott Bush, decided not to stand for re-election and the Democrats would like to capture his seat.

THE ECONOMIST NOVEMBER 3, 1962

Composed as it is of busy industrial cities with heavy foreign populations which tend to vote Democratic and quiet rural regions which traditionally vote Republican, Connecticut is one of those states which stay securely in the pocket of neither party. Its registered voters are distributed almost evenly between the two, with the Democrats having a slight edge at the moment. But there are 400,000 unregistered voters who hold the balance of power.

In the Governorship, the Democratic incumbent, Mr John Dempsey, would like to succeed himself. He is opposed by Mr John Alsop, the quiet brother of two famous columnists who has long been a power behind the scenes in the Republican party. He has never before run for public office but Mr Alsop is quoted as feeling that his services to the party merit his election; whether enough voters agree with him remains to be seen. Mr Abraham Ribicoff, President Kennedy's first Secretary of Health, Education and Welfare, has come back from Washington for the Senate race but this would be livelier if the Republicans had not passed over Mr John Lodge, also a former Governor of Connecticut and recently Ambassador to Spain.

Mr Lodge, who has both charm and wit, made it known that he would be willing to run either for the Governorship or for the Senate, but the Republican powers declined both offers in favour of two rather mousey individuals with small experience in winning votes and less claim to personal fame. The common explanation is that after his return from Madrid Mr Lodge kept acting like an ambassador rather than a politician and failed to win a preliminary election in his own town.

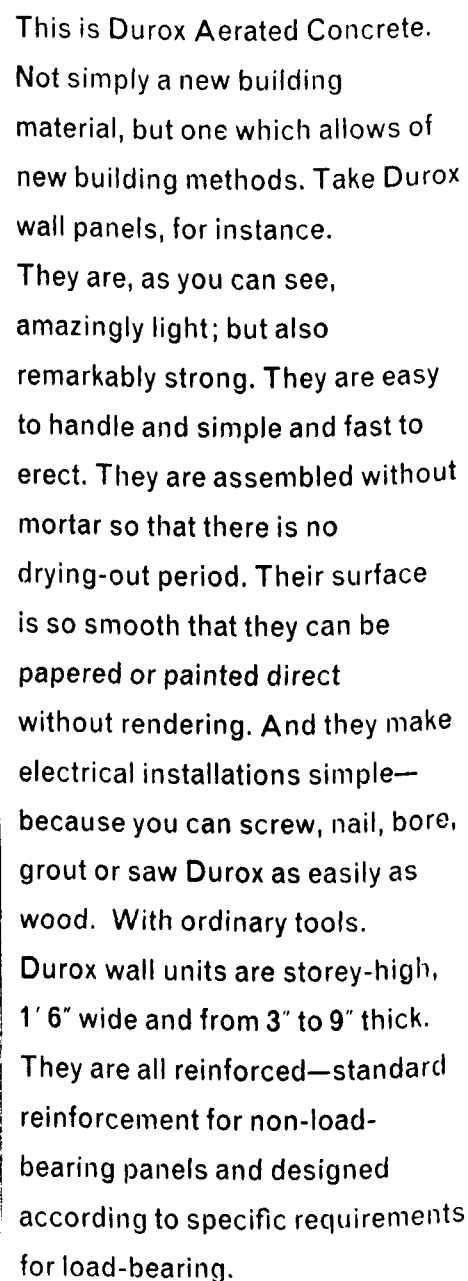
After carrying his state for Mr Kennedy in 1960 Mr Ribicoff, who had been regarded as an excellent Governor, resigned to take a Cabinet post—a gesture attributed to devotion to the President and the Democratic party. But once in Washington he is said to have expected appointment to the Supreme Court (a job for which he had few visible qualifications), to have criticised the composition of his own department without taking effective steps to correct its deficiencies and to have made ill-advised speeches on education. How far his influence with Mr Kennedy has faded and whether he would do better as a politician in Congress than as an administrator are subjects of debate. However, two resignations from major posts in rapid succession make Democratic leaders question what it is that Mr Ribicoff really wants, or thinks he can get, and causes people to wonder how much of this in-and-out process the voters will approve.

Mr Ribicoff's opponent is Mr Horace Seely-Brown, who has served three terms in the House of Representatives and whose most important campaign gesture thus far has been the handing out of pot-holders to his feminine admirers, or rather those whom he hopes will admire him enough to vote for him.

THE ECONOMIST NOVEMBER 3, 1962

Let up the blind. Let in more light. See the true texture and quality of events. Look beyond your immediate frame of reference. Take in the whole industrial scene. See it with your own eyes—and through the eyes of others. Through the filter of experience. Through the periscope of prophecy. Read *The Financial Times* every day. Let your eye take in 'The American Scene' and come home to rest on the law reports. Then pull down the blinds on business and turn to the 'Book Reviews' or the World of Art. There's much more to **THE FINANCIAL TIMES** than its name implies.





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FROM A CORRESPONDENT

The Grundytutor is about the size and shape of a small television set, with a flat ground glass screen. Various subjects are recorded on standard 35 mm. microfilm. At the flick of a switch the screen lights up and a particular problem is explained and discussed. Then a question is asked and several answers are listed. One of these is selected by pressing one of ten buttons. The student is then told if his answer is correct; if so he receives more information and a further choice of answers; if not he is told why his answer is wrong and he presses the "return" button which gives him another opportunity to select the right answer from the original frame. The large number of available alternatives minimises guesswork, one of the usual snags of "multiple choice" questioning. The machine follows what is called the "intrinsic system," i.e., it will teach the same subject differently to students of different levels of intelligence. It gives the poorer pupils more explanation by means of "remedial subsequences," which are brought into play when answers are incorrectly selected. Brighter children are led directly to more advanced levels. The quality of the "teaching" obviously depends on the standard of the microfilm programme. The great advantage of the machine is that it takes account of the individual, each pupil learning at his optimum rate. A boon for any supervising teacher is the elimination of much marking by means of an "error-counter."



Each machine is infinitely adaptable. All subjects ranging from algebra to zoology can be programmed. It can teach at every level from primary schools to

British interest in teaching machines is quickening. The Ministry of Education has recently given a three-year grant to examine the value of machines in the teaching of mathematics. A new department at Sheffield university is now doing research into programmed learning. Enfield college of technology has bought 10 machines for research. Bulk orders for the Grundytutor have been received from LEAs as well as orders for small quantities for trial periods. It is significant that the most vigorous and expanding sector of education, the colleges of technology, has been quickest off the mark.

One of the Grundytutor's chief selling points is that its use can mean an economy in teachers who are in such short supply at the moment. (Shortage of places at training colleges caused 1,000 qualified girls to be turned away this year.) The machines could undoubtedly help in sixth forms where the pupils are keen to learn, in schools where there is a staff shortage and in small rural all-age schools where the teacher has several groups of children of different abilities and ages in one class. Even in a well-staffed school it could be of great use for senior pupils who wish to study subjects outside the normal school syllabus, or for children who have missed work by absence.

So far the teachers' reaction has been cautious but not unsympathetic. There has been no outcry that this incipient automation is the beginning of common room redundancy. After all, staff will be needed to mind the machines as well as the children. Though it is claimed that "the Grundytutor has no human failings" (certainly it never tires and can teach morning, afternoon and evening classes all through the week), it nevertheless lacks some human assets. It certainly cannot wield the cane on rebels in the "D" stream; it may be infinitely patient yet it cannot be sympathetic; though it may interest the pupil it will rarely inspire him or realise when he is getting tired.

The programme in a machine is certainly more interesting than its equivalent in book form, though its gimmick may soon pall. Initially the novelty of the machine will assist learning. (With television in the evening and a teaching machine in the daytime children may rapidly get tired of looking at boxes.) Used sensibly it can relieve the teacher of large classes of much drudgery and repetitive work and allow him to concentrate on individual pupils, and it may fill some gaps in sixth form staff and syllabuses. Like every machine, the Grundytutor is capable of development and refinement; one looks forward to the time when it will get a voice.

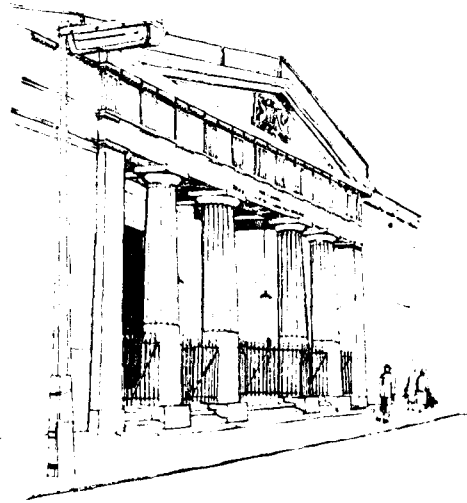
Hard Bargain in Exeter

WHEN that most prolific and diligent of town planners, Thomas Sharp, devised a new shape for the shattered city of Exeter after the late unpleasantness, he may have had some hope that at least the main theme of his grand design would be realised in the works ultimately carried through by the city council; and if that hope has not been wholly disappointed, it takes a nicely discriminating eye to distinguish the desired formal grace among the brash new-town brick, dingy Victorian stucco and genuinely delightful mediaeval and Georgian jumble of what could have been a lovely city on the Exe. City councils are less often inspired by idealism than by practical compromise, and the new portion of the town centre is a mess, a grave decline from the tremendous solidity of the mediaeval and the delicacy of the Georgian, and hardly an improvement on the Victorian.

Perhaps it is this air of bathos which has inspired in many Exeter people a passionate attachment to the prime example of Victoriana there, the Higher Market, due for early demolition in the interests of the development of the block of near-derelict old building in which it stands: champions of truth and beauty have sprung to the side of pure commercial interests in defence of this monstrous neo-classical façade and squalid arcade which, from a distance—supposing the intervening blocks of building (which include the university) were razed—might look like the Parthenon. Much strength has been invoked on the preservers' side: a petition which failed to soften the city council's heart carried 9,000 signatures; nevertheless the market closed for the last time (for the second time in its history) at the end of September.

The Higher Market developed out of the old pannier market, and was built in the Greek style in the early years of the last century. By the beginning of this century it had developed into a collection of shops under a roof, and so remained until the twenties, when part of it was carved out to make a civic hall. The remaining shops carried on, paying a low rent for what were, perhaps, not bad premises. When a new civic hall was planned, in 1935, the Exeter Corporation Act empowered the city to demolish the market and the surrounding land and building it had acquired, and this was almost accomplished: in 1938 the traders were transferred to the modernised Lower Market, a quarter-mile away, without much fuss.

The war stopped plans for demolition—fortunately, as it turned out, because in 1942 the Lower Market was burnt out and the traders had to be transferred back to the



Higher Market as an emergency shopping centre. After the war the traders, joined by several small branches of great multiple stores, continued to enjoy the low rent and rates of the Higher Market, not minding that it was grey, dirty, an anomaly in the centre of a crowded city and a thorn in the flesh of the city council, who were rebuilding the Lower Market after their fashion. On its completion this year, the traders were given notice to quit the Higher Market and to rent their stalls (at a considerably increased rate) in the Lower Market. They complained: the Lower Market was too small, too expensive, too out of the way, bad all round (which last judgment would probably be echoed by most critics). The Civic Society joined battle: the Higher Market was a splendid heritage, useful, delightful to see and a unique example of neo-classical fake. Power was lent to these thrusts by the inability of the new market to accommodate eight of the traders who had enjoyed the facilities of the old one.

Once the move had been accomplished, it might have been expected that the row would die down. It has not: indeed, it has

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become one of the sharpest and bitterest controversies in the south west. Delaying actions have been instituted and overcome. The Conservative-dominated council has found its Liberal members taking the delayers' side, and there is a strong whiff in the bland Devon air of the fuses burning down to the next explosive—this time the contention of the preservers that the Higher Market is protected by a Royal Charter, and can be closed only by act of Parliament. To this the council has not replied, resting its case on its own parliamentary activities of 1935, and maintaining strict silence in the presence of strangers together with a security check on other sources of solid information about the controversy that would do credit to the Admiralty.

This mystifying tendency to sealed lips, or bluster, at mention of the affair is, possibly, assumed in the hope that it will eventually be forgotten by the most committed of the council's opponents. Its effect is to stir in the mind of the dispassionate questioner the suspicion that something is being hidden—a suspicion no doubt unfounded—and to make him examine more carefully the testimony of the common Exonian in the letters column of the local paper. Alas, there is nothing there: his first impression was the right one, confirmed by every subsequent look at the Higher Market's façade. It is an eyesore; it ought to come down, and its neighbouring dilapidations with it; it is a pity the new market is no better an example of Britain in the sixties than it is, but it cannot fail to be better than the old one. Now it can only be hoped that the new civic development which will replace the Higher Market will fill some of the capacious room for improvement left by the phantom ugliness of what rebuilding has already covered the scars of war.

Last of the Halls

FROM A THEATRICAL CORRESPONDENT

A PART from the Leeds City Varieties, music hall in England is dead, and even at Leeds, straight music hall is confined to television broadcasts; for weekly stage consumption it has to be laced with a couple of nudes. But in five Scottish towns as many full-blooded, rorty music halls are still going strong, just as if Archie Rice had never keened variety's wake. Moreover, these are inland towns. On the Scottish coast there are summer shows at such tiny places as Girvan, North Berwick, and Montrose—while Southport, one of England's major resorts, did not have a single live show this summer.

There are two sorts of theatre in Scotland, the English theatre and the Scottish. The English theatre is represented by Scot-

tish bridgeheads of the two major English circuits, Moss Empires and Howard and Wyndham. After its returns dwindled and dwindled, Moss finally sold their Edinburgh Empire to Mecca, who plan a future for it of bingo and horse-horsey. Their other Empire at Glasgow started to become a problem, wrinking up its nose at stock English variety stars, and even reacting violently to attempts to feed it with nudes and pop singers. This summer, business rocketed back with a tartan show headed by Andy Stewart, the little Scots comic, who, like



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The brave new world of Borgo a Mozzano

You saw the name first on a small painted sign just off the main road. But to visit the hamlets and farms which make up the commune of Borgo a Mozzano, you left the main road to drive along narrower ones, which finally petered out into mule tracks. Somewhere along these roads the twentieth century also petered out. And, staring down into a valley dotted with a thousand tiny farms, you looked upon a way of life that had been unchanged for centuries.

How do you change a way of life?

For Borgo a Mozzano in the hills of Tuscany was typical of farming communities in many parts of the world. Cut off from modern techniques by lack of roads and their own attitude to change, the people lived at subsistence level—expecting little from the land, obtaining even less. Their standards of living remained low.

Shell Italiana decided to experiment by sending an agronomist into Borgo a Mozzano—a young man chosen as much for his patient, approachable manner as for his agricultural knowledge.

His task was a difficult one; he would study the farmers and their methods to see whether his knowledge could help them; then came the much harder job of persuading them that the new techniques were better and economically possible.

Ask the 'dottore'

It was a long job, and the first changes were small. The young man persuaded them to grow hybrid maize which gave them a fourfold yield increase; advised them on the treatment of their olive trees, and the fermentation of their wine. After these successes, the villagers named him 'the doctor' and brought their problems to him.

Borgo a Mozzano was the prototype; today, young agronomists are granted scholarships to study there. They drive along the roads the villagers have built from mule tracks, inspect the new crops, and taste the wine.

And the people? They are proud of themselves as they pose grandly for 'the doctor' and his camera. It was they who made the decisions, stood the costs and achieved the results—for the 'dottore' was wise enough only to suggest what could be done.

Now farming communities all over the world are learning from Borgo a Mozzano. And Shell have proved their point; that the best way to help a community is to give it the faith and knowledge to help itself.

YOU CAN BE SURE OF



Harry Lauder before him, has sung rather than clowned his way into Scottish hearts at home and in exile.

Unfortunately, "A Scottish Soldier" seems to have fought too late to save the Glasgow Empire from the property developers. No doubt, when the Empire closes, some other theatre in the city will be glad to grab Stewart, perhaps the Alhambra. For Scottish variety has been a splendid aid to Howard and Wyndham, who own the major straight theatres in Edinburgh and Glasgow. Both the Glasgow Alhambra and the Edinburgh Kings play expensive and popular Scottish pantomimes for three or four months, and then spectacular shows called "Five Past Eight" throughout the summer. This relieves the bookers for most of the year of the necessity of finding attractions that will not offend the social taboos of Scottish playgoers. You can't be too careful if you're an upper middle class Scottish theatregoer; it's fine enough laughing at Jack Milroy now he's a star at the Edinburgh Kings, but it would never do to admit seeing him, much less laughing at him, seven years before at the Edinburgh Palladium.

Edinburgh Palladium, Dundee Palace, Glasgow Pavilion and Aberdeen Tivoli are all defiantly working-class theatres. Their packed, smoky auditoriums are cheerful anachronisms from the time of Collins', Islington, and Attercliffe Palace. And they show no sign of dying. Ayr Gaiety did, indeed, burn down a few years ago, but it was promptly and expensively rebuilt, at a time when most English music-hall proprietors would have given anything for their bricks and mortar conveniently to catch alight.

The Glasgow Metropole, which gave Howard and Wyndham Jimmy Logan, but hung on to the rest of his large family, was also recently burnt. It did not prove pos-

sible to rebuild it, but Mr Alex Frutin, the proprietor, promptly bought the Empress, another variety theatre which had just been involved in a surprising, expensive and wholly abortive attempt to establish an arts centre. Mr Frutin has modernised the building, rechristened it the New Metropole, and opens it this autumn with a show headed by Gracie Clarke, a sort of Glaswegian Hylda Baker. Imagine the London headlines if somebody reopened the Camberwell Palace.

All the shows on this circuit are built round comedy stars who would be unintelligible south of Carlisle: Clarke and Murray, Lex Maclean, Dave Willis, Johnny Victory, Alec Finlay, Johnny Beattie. The north of England and London have also thrown up their comedy stars of strong local appeal, but neither Frank Randle nor Frank E. Franks could save the northern halls, and the Met., Edgware Road, is silent in spite of Max Miller. In these Scottish theatres, English artists are accepted in the supporting cast mainly as instrumentalists of specialties, but on the rare occasions when an English touring revue has essayed a week on its own, it has died, swiftly and surely, on its feet.

Touring weeks are rare, because the Scottish shows stay eight or ten weeks, with a change of programme weekly, which saves the management on fares, cartage, and printing, but runs the artists hard on material. This type of resident revue hardly existed in England, apart from the last days of strip, when Pauline Penny reigned at Birmingham's Aston Hippodrome and the theatre was retitled "La Maison de Striptease." Mr Andrew Foley, manager of Aberdeen's Tivoli, which has mid-Victorian cherubs painted on its domed ceiling, says that one reason his theatre has survived is because it has never played a nude.

The management's saving of travelling costs is more than outweighed by their large companies and the heavy production expenditure. When "Grin And Bare It" and "Taking Off Tonight" were doing their last rounds, putting up the shutters at Halifax and Wigan, their casts were often only eleven including chorus, and they played against drapes that would pack into two baskets on Saturday night. The Scottish shows have casts of twenty, and, if they want to take you to a Highland glen, they have a scenic artist to do it with cloths, cuts, and wings, and they seldom think twice about throwing in a waterfall and a troop of pipers.

SCOTTISH producers cannot resist tartans, and it is the producers who have saved these theatres. The English No. 2 revue was thrown together by the principal comic and the manager in a week's sketchy rehearsals, and it then toured for a year. The Scottish resident shows, unsophisticated though they may be, at least show the ever-present touch of a producer's

hand. The artists are rehearsing every day under direction. They also learn versatility. The rock'n'roll groups have to speak lines in the sketches, and have learned how to move in ensembles. Sometimes they have even learned how to sing.

The audiences range from apprentices, to whom the vocal groups are a concession, to middle-aged working folk with their wives, and it is to them that the comedy is angled. The sketches are a saga of Scots working-class domestic comedy, a sort of Glasgow Andy Capp, etched with a dry wit that contrasts sharply with the unashamedly sentimental patriotism of production scenes entitled "Hail Caledonia" or "The Star Of Rabbie Burns." Johnny Victory, whose father was Harry Lauder's chauffeur and who has recently bought Lauder's Rolls-Royce, is not ashamed to finish his own spot speaking sentimental monologues with homely moralising, backed by the orchestra.

MUSICALLY, when the shows are not "Whae-haeing," they are American—about the period of Gershwin. In four out of five productions this summer, your correspondent saw vocalists finish their acts with "Sonny Boy." Both musically and choreographically they owe a lot to the American musical films of the thirties, as though the producers had soaked up their ideas sitting through endless prewar, unemployed matinees in the cheaper Gorbals cinemas.

Scotland is still probably more attuned to the thirties than the rest of Britain. The affluent society and its status symbols are not so much in evidence there, while rising unemployment figures are. This may be one reason why artists and audiences are obstinately locked together, perpetuating an old, individual, and perhaps even nationalistic, tradition of entertainment.

The middle-class straight theatre audience is equally set in its ways. Just as Mannofield and Morningside look askance at the Tivoli and the Palladium, they are equally confident that Aberdonian trawlermen will hesitate to set foot in Her Majesty's and Edinburgh keelies will keep out of the Lyceum. The middle class is not anxious to find the working classes sitting beside it; and on the stage it prefers a lounge hall in Sussex to the kitchen sink.

What with the Royal Court playwrights and these new actors, who won't wear tics, from Salford, it is becoming increasingly difficult to find plays for non-festival Edinburgh. Even Agatha Christie is too much every week. So it may be as well that the Lyceum, the city's principal play theatre, has been sold by Howard and Wyndham and is to come down. Even if it survived, it would be no use Mr Arnold Wesker looking there for his vital new working-class audience. The Scottish working classes know their place—round the corner at the Palladium. Wesker against tartan blackcloths twice-nightly—there's a thought for Centre 42.

LETTERS

Super-Powers

SIR—The first three articles in your issue of October 20th show such excellent judgment that it comes as something of a shock later to read the review of two books on nuclear armaments and the letter on Cuba from an Englishman in New York who appears "more American than the Americans." Both of them, though on widely different subjects, reflect the super-power bias which vitiates so much contemporary writing on international affairs by western authors. Your reviewer shows extraordinary misjudgment in asserting that:

To make peace reasonably stable it is necessary for the nuclear super-powers to work towards a mutual understanding . . . to use their unrivalled strength to keep the rest of the world in order.

This sort of illusion comes partly from an undue specialisation on "strategic studies," which, in the main, assume that armed power is the only form of power that exists, and partly from lack of direct and prolonged experience of the worlds of Asia, Africa, and Latin America, the emergence of which to international political consciousness is the outstanding development of our time. Your reviewer's and Mr Strachey's proposals for a new Holy—or some would say Unholy—Alliance to maintain the *status quo* would clash head on with the immensely powerful demand of the emerging and reawakening peoples for the same degree of political independence as the western peoples claim, and would substitute for the old "cold war" a new cold war between the two super-powers, with such satellites as they could intimidate, and the rest of the world. This is not the road to world peace. Events in the few days since October 20th confirm that it is the super-powers and not the smaller powers that must be "kept in order" if world peace is to be preserved. This country's interests lie in strengthening its links with Europe and the emerging and reawakening countries, while loosening without severing its links with the United States. International peace will never be achieved by setting up an international aristocracy, particularly when it consists of the two most imperialistic powers in the world.—Yours faithfully, E. F. PENROSE
London, SW1

Cuba

SIR—When you suggest that a Cuban defeat for Khrushchev must entail his insistence on victory elsewhere, I believe you distort Soviet reality. Surely the Soviet leader will insist only if you and enough others tell him that he has a sort of right openly to win a piece on the chessboard in exchange for the one he nearly sneaked down his sleeve?

The trouble about so much European

(but fortunately less American) analysis of Soviet behaviour is that it is forever attributing to *homo sovieticus* the qualities of *homo occidentalis*, the latter dated somewhere around 1912. Thus Khrushchev and his colleagues can be humiliated, lose their self-respect and suffer other outraged feelings. This, of course, is what the Russians, who have always been excellent spies and diplomats, would have us believe. To this end they contrive little "leaks" such as Khrushchev's remark to his recent Belgian interviewer which you quote: "We cannot give ground to force, for that would be a confession of weakness." But the Soviet leader's climb-down Note to Kennedy on Cuba is itself evidence of a total inconsistency and opportunism, with its smarmy acknowledgments of the American case and "dumping" of his whole Cuban policy.

It is certainly true that the Soviet Union has its own vital interests, of which one is the maintenance of its key European ally, the east German republic. But let us not assume that, in Soviet eyes, this can only be served by the takeover of Berlin. Nor must we allow ourselves to be talked (for instance by the unaligned countries who very naturally dislike the prospect of extermination without representation) into withdrawing from Berlin on the ground that the Russians now deserve a good turn for having behaved so well. To do this in Europe would be to waste President Kennedy's magnificent week.

Connected, moreover, with the "prestige-theory" of Soviet international relations is the strange Anglo-English belief that Khrushchev must be *preserved* as the "best Soviet Prime Minister we've got." He is nothing of the kind, for the reason that there is no such thing. After last week it would be very nice indeed if he fell and if the Party again went into flux. Stability is what we want at this stage of the cold war, but political diarrhoea should be our objective within the Soviet Union.—Yours faithfully, CHARLES JANSON
London, SW3

Planning for Traffic

SIR—"How is the traffic flow to be related to (road) capacity?" you ask in your thoughtful article of October 20th. Road space is a scarce resource and the obvious answer of an economist to your question is that an effort should be made to relate flow to capacity by making a charge for the use of congested road space. A number of charging methods have been proposed in addition to those requiring electronic apparatus; these include differential fuel taxes, meters on vehicles and licences to enter congested areas. Each of the methods proposed so far has advantages and disadvantages, and it is impossible without detailed technical

investigation to determine which method—if any—would be appropriate in any particular situation.

You suggest that a satisfactory answer might be found in charging for parking. There is obviously a strong case for raising parking charges (both on and off the street) to the point at which the full costs—including rental costs—are paid for by the users. But in really congested areas these measures would not in themselves bring traffic flow into balance with road capacity, because under congested conditions vehicles are not charged enough for the use of road space (they pay their own costs but not the costs imposed by their presence on the rest of the traffic). The logic of your proposals would require vehicles to pay a tax on parking, i.e. to pay more than the costs of providing parking facilities. Such a tax would favour through traffic at the expense of stopping traffic and would also be very unjust to those who park but cause no congestion—residents who use their cars only at night, for example. In the context of the road-rail problem, any policy of encouraging through traffic at the expense of local traffic would be undesirable, to say the least. If your proposals were applied in London, traffic to the docks (for example) would receive additional encouragement to go by lorry rather than by rail.

The fundamental weakness in the proposal to control traffic flow by restricting parking facilities is in the assumption that the amount of parking space in a city can determine the traffic flow on its roads. Not all vehicles using city roads also park in the city, and success in forcing some vehicles off the road system by parking restrictions would in itself make the area more attractive to through traffic.

If you wish to restrict the consumption of whisky you should tax whisky. A tax on whisky glasses might deter the fastidious but would merely drive others straight to the bottle.—Yours faithfully, G. J. ROTH
University of Cambridge

Distributive Variables

SIR—Your handsome review (September 29th) of the book "Distribution in Great Britain and North America" by Margaret Hall, John Knapp and myself, raised a point of wide technical interest, and I would like to carry the discussion further.

In the book we studied the patterns of variation of several variables important in distribution in different parts of the United States, Canada and Great Britain, such as size of shop. We attempted to relate these variables to the environment in which the distributive system has to operate in each region, at least so far as this environment can be expressed by such quantities as income per head and rate of growth of population. Your reviewer states that there is an obvious case for multiple regression (the "normal" method) and criticises us for relegating "this powerful instrument" to an appendix. Instead our main analysis relied on three-dimensional models, and we have taken

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much trouble in trying to represent these effectively in the book.

In practice many people working on industrial or economic problems, have become dissatisfied with simple equation fitting (which your reviewer has in mind when he refers to multiple regression) as the sole method of analysing or presenting data. For one thing, towns or regions cannot necessarily be described adequately by two or three variables. The investigator must have a way of keeping note of the behaviour of individual regions, so that he can check from his general knowledge of such regions that the variation explained by one set of variables could not equally well be explained by others.

Nor is the description of trends always simple. We cannot assume all trends are straight lines or planes: many in the data we analysed could not be. But what functional form should then be fitted? How confident should we be that some simple algebraic function fits the whole range of the data? This point was especially important in our analysis, since conditions in Britain only partly overlap with those in North America, so that the comparison might be very sensitive to the type of equation fitted.

The method we used, which presents the data in a comprehensive yet analytic way, allows the reader to take account of these difficulties, where the equation fitting approach, in its present stage of development, tends to conceal them. There are times when the simple approach is the more scientific one. I urge your reviewer to try out both methods next time he carries out this type of investigation—I think he will gain much more insight into his subject than by using only the methods he advocates.—Yours faithfully, CHRISTOPHER WINSTEN
Imperial College,
London, SW7

Common Market

SIR—Mr Stanley Steward, in replying last week to my letter expressing scepticism about large-scale economies in the common market, says that at any rate Britain stands to gain “clearly” in the “newer and growing sectors of the electrical industry,” particularly “domestic appliances and electronic equipment which rely on quantity production.”

I would not profess to know more about Mr Steward's own industry than he does. But “The Times Review of Industry” for August says this: “The electronics industry differs from most others in that knowledge and production capabilities can be the same for the small man as the big; they depend on skills and do not always demand expensive plant or a large volume of raw and finished materials. . . . Contrary to general economic tendencies, whereby as an industry progresses, it tends to concentrate into larger and larger units, the electronics business (where mergers and take-overs are just as common as anywhere else) still seems to have more firms in it every year.”

LETTERS

In both the US and UK there are a large number of small but successful electronic firms. Serious doubt thus exists even about this small relic of the argument from economies of scale which *The Economist* advances as the main economic case for the UK joining the EEC. So far from being “clear,” this whole argument is at best very uncertain and debatable. It comes nowhere near to being sufficiently firm or clear to support sweeping conclusions about the whole political and economic future of the UK and Commonwealth.—Yours faithfully,
DOUGLAS JAY

House of Commons, SW1

Gurkhas

SIR—Your cautionary note last week on the proposal to reduce the Gurkha infantry in the British Army rightly stresses the military value of this outstanding arm. Top quality “in-fighting” infantry are exceedingly difficult to find and to train. The Gurkha is born into this tradition. If any reduction is to be made in our Gurkha contingent, it should be in the other arms and services. These, if returned to their country will readily find employment, particularly the sappers and MT drivers, and will be of value in its development.

There is another factor, a pressing one at this time. In 1947, when in India, I wrote regarding the probable Chinese attack on India's north-east frontier after we had left: “Disgruntled, frustrated by India and deserted by Britain, a confused Nepal can produce for India a frontier problem . . . which in times of war would lead to the collapse of India, and her division between Communist China and Russia. . . . India has a few years to spare but only a few” to prepare her frontier defence. Our Gurkha contingent is the symbol of our link with Nepal, and of the sympathy by which we can influence her attitude. Monarchic or democratic, this is no time to incur her resentment by sending disbanded infantry back to her to kick their heels in the mountain villages where live the most stable element in her country.—Yours faithfully,
F. S. TUKER
Falmouth, Cornwall

Southern Rhodesia

SIR—Your correspondent (*The Economist* October 6th) refers to “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.” Perhaps he will reveal the occasion on which artillery fire has been directed against Africans in Southern Rhodesia—or perhaps he will admit that he has been guilty of a deliberate and malicious attempt to create a totally false impression.—Yours faithfully,
NORREYS DAVIS

Kitwe, Northern Rhodesia

[There is no suggestion that these unsuitable weapons have been used. Our correspondent was being metaphorical, not malicious; we much regret the misleading impression given to some readers.]

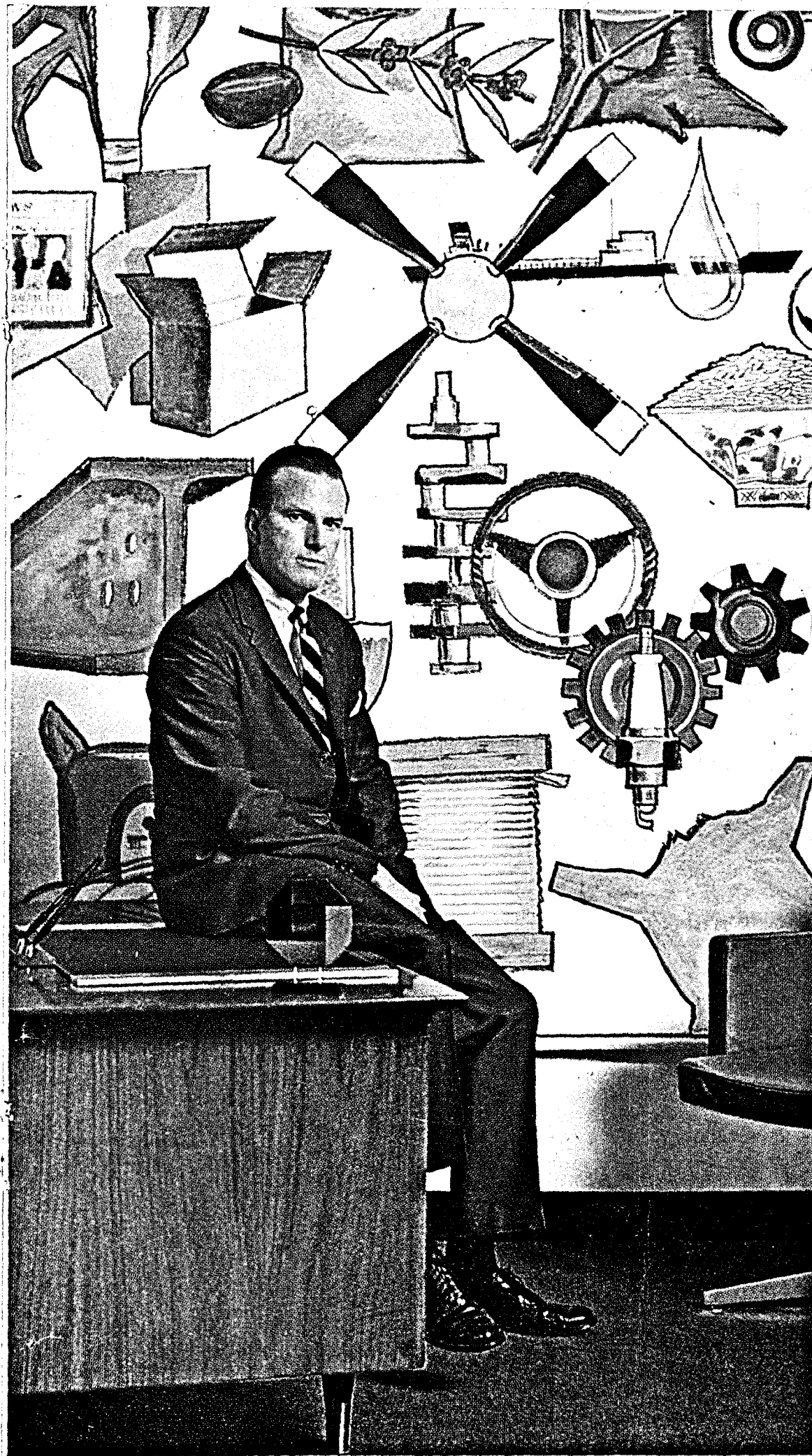
University Expansion

SIR—You state in your Notes of the Week of October 6th that those of us who are affronted by the current makeshift suggestions for university expansion have not grasped what a crash programme for higher education means. Many of us in the universities are less impressed by the so-called programmes than we are disturbed by the prospect of the crash that will inevitably follow if they are implemented.

For the last decade and a half the universities of this country have already been living through a period of chronic expansion, in which the much publicised academic calm and seclusion have become things of the past. To the continued accompaniment of building noises off, increasing numbers of students have had to be taught, often in over-crowded lecture rooms and laboratories, while immense demands have been made on the time of academic staff in preparing detailed plans for further expansion which they are then compelled to scrap and replace because the hoped-for funds are not available. Now, after we have grown weary of warning those concerned of the impending crisis, and dispirited by the endless postponement of our carefully laid plans both for teaching and research, we have the crowning frustration of being told that it is high time we gave up our non-existent leisure and worked as hard as other men do, to educate the unfortunate offspring of a generation to which many of ourselves also belong.

The statement that research and teaching go hand in hand has become a cliché, but it is none the less true on that account, and any further diminution of the time available for the former will result in a catastrophic decline in both. No doubt there is some dilettante research, but it represents a small if unavoidable price to pay for the freedom without which sound research cannot flourish, and the answer to poor research is not less research but more good research. Likewise there are some lecture rooms which are never full, but these are rarely in the subjects for which the demand is greatest, and I can hardly believe that *The Economist* is advocating either the direction of students into subjects which they do not wish to study, or the closing down as uneconomic of the few but academically no less valuable departments which still have vacant places. The critical problem in further expansion is shortage not of lecture rooms but of staff, and any gains which might conceivably be made by forcing two shifts of students through alternative halves of an extended academic year would be more than offset by the exodus of staff, who simply could not continue to do proper university work if they were to be immediately bundled out of their departments every time the end of term whistle had blown.—Yours faithfully,
C. A. FISHER

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ONCE THERE WAS a port that was not like other ports. It was stand-offish and arrogant. The other ports were jealous. 'What's so special about you?' they asked. 'Family background,' answered the arrogant port. The people who make *me* make nothing else *but* port.'



PEOPLE WHO spend their whole time making port obviously know *how* to make port,' he said. 'They take more trouble. Blend in smaller batches. Actually, I think blending in large batches is terribly *gross*.' (The other ports were furious.)



AS A RESULT of my superior upbringing,' said the single bottle, 'I have something known as *grip*. I am a true, virile port, and not a soothing syrup.' 'He wants us to ask his name,' said the other ports. 'But don't let's.'



I HEARD YOU, and the name is Cockburn,' said the proud one. 'Rather a fine old family of ports, actually. With connections in Portugal. You've heard of us, I expect.' Silence fell. The others watched in envy, as the arrogant port just went on and on, glowing with pride.





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Or read Mr Ronald Fletcher on "The Family and Marriage." This is a very sprightly taking-to-task of the fuddy-duddies (religious and high Tory) who blame current criminality and what is to fuddy-duddies immorality on the decline of family standards. Mr Fletcher invites all good Hammond men and true to consider what could possibly be the standards of rural and industrialised working-class families of the early nineteenth century. It is a familiar left-wing, and in its context a valid, argument. But it is certainly not the whole story: the conventional morality of British life today is not simply an unwanted hangover from the Victorian

Autumn Books

Oxford Illustrated Dictionary

Text edited by JESSIE COULSON, G. T. CARR, LUCY HUTCHINSON, and DOROTHY EAGLE

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English Country Life 1780-1830

E. W. BOVILL

'... assured of a warm welcome from all who cherish English life. ... The charm of this book lies in many fascinating corners of information.' THE TIMES LITERARY SUPPLEMENT Illustrated 30s. net

Dostoevsky

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JESSIE COULSON

The great novelist as he showed himself in letters to those who were nearest to him, with a narrative based on original sources, to link the letters. All the material is newly translated by Mrs Coulson. Illustrated 30s. net

Oxford
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bourgeoisie. But then Mr Fletcher is not a "committed Christian," and he has, in fact, precious little time for Christian (or Jewish) ideas of marriage and morality. One doubts, however, whether every Penguin sociologist, however uncommitted religiously, would so lightly dismiss the impact of these ideas on our present society. Given Mr Fletcher's approach it may be logical for him to support the view that

petitions for divorce should be clearly distinguished, and differently treated, in accordance with whether or not the marriage is childless. If there are no children to a marriage, there seems no reason why divorce should not be by mutual consent. ... But when there are children to the marriage, the parents are responsible for the fulfilment of duties to their children whatever may have happened to their own personal relationship, and it is arguable that divorce here should be made very difficult indeed.

This is perilously close to allowing the state of marriage to become, in itself, a light obligation, increasingly lightly entered into. One assumes, of course, a continuing desire among the majority of couples to secure some official recognition that they have in fact embarked on a marital relationship; but for Mr Fletcher's judges it will be biological chance (more than intention) that really ties the knot. On this criterion it is not too difficult to foresee a state of affairs in which easier divorce, for the children's sake, would be socially preferable to Mr Fletcher's slamming of the prison doors. Are Penguin Island marriages to be merely a few words to see people over the weekend?

Life on the island is clearly a matter of enthusiasms. Mr John Vaizey's "Education for Tomorrow" (reviewed in *The Economist* of May 12, 1962) is the work of a convinced and highly knowledgeable expansionist, who is content to present his case here with the blunt strokes of the propagandist. Although one can readily agree with Mr Vaizey in desiring a greater proportion of the national income to be devoted to education, is writing at a propaganda level the real purpose of the exercise? Penguin Specials outside the series still manage to avoid it.

Mr Stanley Alderson's "Housing" is in many ways the most acute and enthusiastically radical of the four. He wants, as his own peroration puts it,

to abolish subsidised rents; abolish rent control; restore Schedule A to its full value; introduce a complicated new system of housing allowances; impose regional authorities on the local authorities; deprofessionalise the architects; professionalise the estate agents; and nationalise the building societies.

It is a mixed, if occasionally promising, field. The most dubious horse in the ring is, naturally, the "complicated new system of housing allowances." Although Mr Alderson's preference is to push the Labour party into this particular saddle, his plan is almost visibly non-political since no party could be persuaded to implement it. But it is put forward for what it is: a way to get rid of anomalies, to encourage much more building for rent and to underwrite the renovation of the Victorian cities by distributing financial aid to all classes of house-

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holder (or at least to "every householder earning below a certain income") to the tune of £3,000 each—with incentives for stepping up the householder's contribution as well. It is pre-eminently a book to start discussion. Mr Alderson is candid enough to admit that he would rather people voted on other issues than his housing plan. They very probably will.

One does not know how the series will be continued, how many other portfolios will be revealed and who the next Penguin Ministers will be. Could there conceivably be a Leader of the Opposition as well (or is that left to reviewers?), or a Treasury spokesman, or an advocate for economic union with Pelicanland? (Mr Jenkins might oblige there.) As of now the island is simply full of noises, some of them pretty rum ones.

For Sea Passengers Only

Three-Dimensioned Darkness

By L. Lee.

Allen and Unwin. 157 pages. 25s.

Do not be deceived by Captain Lee's poker-faced tour round the flight deck into thinking this is just another account of *My Life As A Pilot*. It is a quite devastating book not recommended for nervous air passengers, with a scorpion's sting that could easily be missed by quick, too casual reading. Watch an airline captain pad down the cabin with a facile smile and wary eyes and then read what his job involves, in terms of technical skill, physical strain, pay, mental worry about early retirement, and vulnerability to others' incompetence (and his own). And then understand, possibly for the first time, why air accidents happen—on take-off, on landing, en route into a mountain. Captain Lee has had long, lonely hours to ponder these things; his thoughts have been distilled to such a point of dryness that the first impression, like the first sip of a Martini, is flat—until the reaction sets in.

It is not often that the technician's view of aviation gets heard, be he crew member, engineer or air traffic controller; indeed Captain Lee says bluntly that because air traffic controllers are civil servants censorship is exercised in this country on any serious discussion of a good many vital questions affecting the lives of those who fly. The points he makes are valid, serious and deserve, if not an answer, then at least close reading by those who plan aviation policy and run airlines. It is a pity, therefore, that he should have omitted one important subject, the handling qualities of modern airliners. Perhaps this would have been stretching the tolerance of his employers, British Overseas Airways Corporation, too far. Unlike at least one pilot who landed at the wrong airport, Captain Lee is probably not yet in the market for a farm. But a few more books of this kind, showing the reverse side of the coin, would do aviation no harm.

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Ireland's Two Nations

Brendan Behan's Island

By Brendan Behan and Paul Hogarth.

Hutchinson. 192 pages. 25s.

West Briton

By Brian Inglis.

Faber. 223 pages. 25s.

The Northern Ireland Problem

By Denis P. Barritt and Charles F. Carter.

Oxford University Press. 170 pages. 25s.

FOR sheer literary productivity there is nobody to beat the Irish. Of course they are very interesting people who inhabit a very interesting country; and they have no tiresome doubts on this score. It is fair to add that the rest of us agree with them. Books by Irishmen about Ireland are among the staples of English publishers. Mr Behan's volume, in fact, gives somewhat the impression of being a publisher's creation. There are ample jolly songs to fill a page or two, some of them original Behan and others traditional bar-room stuff; there are what would appear to be tape-recorded descriptions of various towns in Ireland (or rather of bars in various towns in Ireland); there is one exquisite short story, "The Confirmation Suit." And there are pages of spare drawings by Mr Paul Hogarth that by themselves (although the photographic reproduction does not entirely do justice to the originals) make this a remarkable 25-shilling Christmas present.

Mr Behan, of course, has his profitable Irish vein which sells well in Britain. The Irish middle classes, he says: "will say, as they have said of me, that I write to please English audiences—when they'd stand on their hands to please any English audience themselves." But Mr Behan is far more than a mere ham. On Irish politics, he has some penetratingly left-wing things to say. For him, the "tweedy frugalities of Eamon de Valera" won Irish freedom only to subject the country to a greater bondage.

The national revolution in Ireland was accompanied by no political revolution: Mr Behan's heart-cry is: "If only Jim Larkin [the labour leader] had learnt Irish—or Collins [the political liberator] had studied Leninism!" Whether in Northern Ireland or in the Republic: "they could swap governments and nobody would notice the change—none of the workers would, at any rate." Within this frame of reference Mr Behan is understandably impatient with the religious feuding that has so effectively split down the middle any chance of creating in either of the two Irelands a proletarian political mass movement such as the Labour party used to be in Britain. A member by origin of the working class of Dublin, he fails to recognise that in a peasant society the urban working class is a minority just about as small as that which he castigates as the Anglo-Irish Horse-Protectors. Which is where Mr Inglis comes in, for it is precisely out of this minority—the Protestant landowning and



Off the Falls Road, Belfast

managerial class left behind by the British in the Republic—that he sprang.

Mr Inglis's origins, along the bay from Dublin in the respectable golfing suburb of Malahide, lay as far from those of most Irishmen as do those of the average Nairobi businessman's son from a Kenyan African: the Paddies and Bridies with whom he came into contact were servants, by definition loyal, incompetent and "amusing". From this environment, under the benign influence of a job on the *Irish Times*, Mr Inglis escaped; in order to assert a new identity he plunged into politics, seeking a niche where he could be accepted as an individual Irishman and not as a member of a community all too often regarded as alien. But the niche never opened to receive him.

Socialism could not provide the place: faced with the opposition of the hierarchy "To have advocated nationalisation would have damned us irrevocably, but there was little incentive to do so, as there was little left to nationalise". Eventually Mr Inglis came to recognise his place as an inside outsider: "what the Irish needed was ... sharp reminders that countries, like individuals, cannot continue to live indefinitely in the past". This task, finally, became too much. For lack of a cause, and for a monthly cheque, Fleet Street's gain was Ireland's loss. But it is not a melancholy book: Mr Inglis knows how to place his characters. His fear about the talented Mr Behan was that "he would succumb to the occupational disease of his kind in Dublin—gregariousness".

After these two passionately involved southern Irishmen it is something of a jolt to come up against two non-Irish Quakers looking compassionately from outside at Ulster. But their choice of title itself proves, if proof were needed, that they are discussing the same country. For any other place the strictly economic dilemmas discussed last week in the Hall report would

Autumn Books

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Autumn Books

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ALLEN & UNWIN

be trouble enough; but the problem here is quite different—and is probably regarded by most Ulstermen as the main one facing their province. Mr Barritt and Mr Carter were commissioned by the Irish Association to make a study of religious conflict in the six northern counties. This they have done with charity and diligence: everything from allegations of gerrymandering to the absurdities of discrimination in sport, is duly listed.

Their one fault, as befits Quakers—and, more justly, as befits men setting out to

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smooth out conflicts rather than to stir them up—is that they find a disinterested motive for everything. Mr Behan says that "in money matters there are very few Northerners who are off their heads". It is, indeed, in the cause of healthy economic self-interest that most progress is likely to be made towards doing away with the strange bigotry (on both sides) described by Mr Barritt and Mr Carter—and with the heritage of religio-social conflict described by Mr Inglis. Could the common market bring together what Christianity has put asunder?

James Finds Himself

Henry James: *The Conquest of London 1870-1883*

By Leon Edel.
Hart-Davis. 528 pages. 63s.

BETWEEN the publication in 1953 of "The Untried Years", the first volume of his biography of Henry James, and this second volume of a projected four, Leon Edel delivered a most interesting series of lectures at the University of Toronto, published as "Literary Biography" (*Hart-Davis*, 1957). These lectures not only expounded his thesis that anyone who writes the life of a writer should himself be literary critic as well as historian; they revealed some of the peculiar difficulties confronting the biographer of Henry James, who so much disliked the idea of his private life being ransacked that he deliberately wove webs of mystification to perplex future investigators. The thousands of letters, preserved by his correspondents and read by Professor Edel, are often masterpieces of commentary, exquisitely phrased; but they are the utterances of an exceptionally cautious man—one who never gave himself away except unconsciously or through the alchemy of his art. Nevertheless, the life of Henry James is copiously documented: for his whole literary output—travel essays, criticism, fiction—is as essential to Leon Edel as the factual records and the letters by means of which his movements may be traced. He is an absolutely first-rate biographer, exemplifying in his practice all that his theories demand. He knows all the Jamesian material inside out, and has the critical imagination to relate actual experience to fictional reconstruction; to recognise the transmutation of people met, places seen, episodes observed, into the fabric of the novels and stories.

Since Henry James knew no other lasting, driving passion than that of literary creativity, it is extremely valuable to be shown the interrelation of his inner and outer lives. The years recorded in this volume have great interest as a social chronicle. We see James in Paris, getting to know Turgenev; in London, quickly establishing himself as a diner-out, theatre-goer, club-man; revisiting Italy; and all the time writing with tireless energy, determined to win fame and fortune too. But Professor Edel never loses

sight of the way in which experience modified James's character and vision; it is the significance to the artist of his various encounters that is so brilliantly brought out in this volume. The narrative is handled with great skill and elegance. An unwieldy mass of material has been so thoroughly assimilated, so tactfully and beautifully arranged, that Henry James himself would surely have commended his biographer's style.

Readers of the first volume, remembering the tension of Henry's home life and his hypochondriacal tendencies while he was still too closely attached to his family, will be struck by his normality, once he could plan his own independent career. Not that he ever seems to have overcome his fears of being passionately involved with another human being. His devoted, dominating mother had much to answer for. But his unwillingness to entangle himself as a man may have enabled him to observe women, young and old, with an unusually fruitful kind of detachment, for his novels abound in sensitive studies of women, delightful, intelligent, innocent, formidable, all extraordinarily alive.

The Henry James pictured here is an active, ambitious man, who easily endeared himself to his associates; an artist to whom social success was invaluable, because it provided him with the material he needed for his cosmopolitan novels.

The Complete Tales of Henry James.

Volume 3, 1873-1875; Volume 4, 1876-1882
404 pages and 522 pages. 35s. each.

Simultaneously with the second volume of Professor Edel's biography of James, the publishers have brought out the next two volumes of the "Complete Tales", which are edited and introduced by Professor Edel. This publishing venture was universally praised when the first two volumes appeared last April. All one can now do is to welcome this instalment, out in time for Christmas, and to call attention to the fact that volume 4 contains "Daisy Miller", the story of "the American girl" confronted with Europe, "the tale", says Professor Edel, "with which James established his enduring fame".

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Looking for a Home Paid Servant

By E. R. Braithwaite.
The Bodley Head. 219 pages. 15s.

THIS looks a simple book; but it is deceptively simple, and it is so easily written that the reader may overlook the important questions raised by Mr Braithwaite's narrative. After nearly nine years' experience as a teacher, which he described in "To Sir, With Love", Mr Braithwaite was seconded to the London County Council's department of child welfare, to help with the problems of immigrant families and especially with the fostering or adoption of illegitimate or unwanted coloured children; this book describes his work among them.

His secondment raises the first question. Mr Braithwaite is a Negro, from British Guiana, and was therefore regarded as particularly well fitted to deal with coloured immigrants. It is quite clear from this book that he was indeed well fitted to undertake the task, but he himself insists that colour should be irrelevant to successful casework among immigrants. He argues convincingly that they should not be singled out by having a Negro to look after them; white welfare workers ought to be able to adjust themselves to do the work equally well. Mr Braithwaite believes that

there was never any special need in Britain for black Welfare Officers, any more than there is a special need for black judges, bank clerks, fishermen or policemen, or doctors.

His book nevertheless shows that, however sympathetic, welfare workers regard their coloured clients as a special problem; they have an underlying prejudice that becomes apparent when the placing of a coloured child in a white family is being considered.

Secondly, the book reveals all the difficulties that bureaucracy makes for itself, even with the best will in the world, when it comes to finding a child a foster or adoptive home—or even returning him to his own. All the red tape is, of course, manufactured in the interests of the child, but there could hardly be a clearer instance of the best being the enemy of the good than in the official adoption of children. Do the parents want to adopt a little girl of four to replace a loved daughter who has died? They may be regarded as obsessed with grief and therefore unstable. But if, being white, they say they would like a coloured child, that, too, may be regarded as neurotic—or at least distinctly odd. And then, when a satisfactory (in official eyes) fostering family is found, it may live in the area of another authority, with a different scale of maintenance payments; while the high-ups argue this out, the child languishes in a children's home. Incidentally, Mr Braithwaite also raises the important question whether maintenance payments should be so low as to ensure that the foster parents are altruistic and not profit-seeking; he considers that this principle prevents many admirable people from taking in a child.

Lastly, the book raises the tricky question

of involvement. Social workers are trained to remain detached from their clients, and not to get emotionally involved with them, whereas Mr Braithwaite found himself "caring". Possibly this was one of the reasons for his successful handling of intractable cases; yet he himself shows how unfortunate can be the consequences when a "house mother" becomes too fond of a small child. Mr Braithwaite, however, is certainly right in regarding his clients as human beings, not cases, and in preferring the concept of service to officialdom. No one surely can question this.

High, Low and Middle

English Country Life 1780-1830

By E. W. Bovill.
Oxford University Press. 278 pages. 30s.

John Constable's Correspondence: *The Family at East Bergholt 1807-1837*

Edited by R. B. Beckett.

HM Stationery Office. 342 pages. 45s.

MR BOVILL's delightful book follows his own taste, which is sporting, humane and rather conservative. His methods are descriptive, not statistical. Nor does he try to be comprehensive; he describes his book as "a mosaic of fragmental studies sufficiently related to give in broad outline a picture of English country life between 1780 and 1830." This, with one important exception, is a fair enough description, if one accepts his deliberate omission of economic history and agricultural technique, as subjects that have been fully studied elsewhere.

He starts with an excellent description of the effects of enclosure, first on the landscape and then on men. From the miseries of the peasantry he switches to the squires and the aristocracy, how they ran their houses, and what happened below stairs. So much for introduction; then he comes to his main topics: the rise and fall of coaching (a fascinating account, which all non-experts should read if they want to make full sense of the writings of the time) and the development of shooting and hunting.

Shooting is an unhappy story. The miseries of the Game Laws rested on the survival of barbarous laws which the eighteenth century would hardly have passed for itself and which were not grossly oppressive in the old days of unorganised shooting, with primitive guns, over largely unenclosed land. But they were there to hand; and their full weight was felt when



Autumn Books

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"How spontaneous the language... these letters make me feel again that I am listening to her vivid talk." *S. Times.* Illustrated 25s

GORDON RICHALE

THE SUNLIT YEARS

A memorable success story... the autobiography of one of the leaders of South African industry. 25s

shooting habits changed, guns were improved and the massive battue was developed at a time when farmers were bringing more and more land under the plough and the peasants needed game for food more than ever before. Foxhunting is as pleasant a story as shooting is barbarous: the latter was based on a tradition of exclusive rights enforced by penal laws; the former on co-operation, subscription, a reliance on consent in the absence of legal right and (for the times) a singular absence of class exclusivity.

As one reads Mr Bovill's book, one feels more and more the weight of a curious omission. His rural scene is populated by wealthy landowners and impoverished peasants, with a few farmers and shopkeepers in the background. Where is the rural middle class? The answer is given in Constable's correspondence, which has been edited by Mr Beckett, with admirable narrative and notes, for the Suffolk Records Society and published jointly by them and the Historical Manuscripts Commission. The title is a little misleading. The letters given are nearly all to Constable from his

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family, with very few of his own; and they are wholly confined to family news and gossip from East Bergholt, since the selection is designed to illustrate middle-class life in rural Suffolk. Constable's family were fairly well off millers, educated, worthy, pious and affectionate; high Tories; related to the clergy, the services and London merchants. A visitor said of Constable's brother "still the miller, yet a gentleman," and that is fair. It was a solid and admirable society, contented with its place and untroubled by class feelings: the people in between, at that time, did not look underdone and harassed. Their main fault was a constant worry about money, and particularly about legacies. With appearances to keep up and so much hankering for security in an economically unsettled period, small wonder that so many of them did not manage to get married. One understands why the nineteenth century abounded with bachelors and spinsters, as did the Constable family. The letters are good, dull reading. There is not a moment of excitement, but, the farther one goes, the more they grow on one.

The Wicked Lowlanders

The Trial of Patrick Sellar

By Ian Grimble.

Routledge and Kegan Paul. 184 pages. 28s.

PATRICK SELLAR was the Scottish factor (agent, to use the English term) of the Marquess of Stafford and his wife Elizabeth, Countess of Sutherland. In 1816 Sellar was tried in Edinburgh for the culpable homicide of an old woman during the eviction of the Countess's tenants from Strathnaver in the north of the county. He was acquitted by a court which, according to Mr Ian Grimble, was misdirected by the judge and packed with anti-Celtic east coast landowners.

Mr Grimble's book is neither an account of the trial nor a history of the Sutherland evictions (the author has not, for instance, examined the relevant documents in Dunrobin Castle). It is rather a vivid presentation of certain "high-lights" of the brutal clearances effected in the second and third decades of the nineteenth century by the "Great Lady of Sutherland" and her fabulously rich English husband (later the first duke). Mr Grimble, in telling, acidulated style, gives the reader the views of the champions of the oppressed clansmen: for instance, General Stewart of Garth, who published his classic work on the Highlands in 1822; a Mr Thomas Bakewell, one of the Duke's Staffordshire neighbours; the Swiss social scientist, Sismondi, and, in the United States, Harriet Beecher Stowe. (Mr Grimble mentions Karl Marx's interest in the Sutherland evictions, but for some reason—perhaps a Celtic aversion to bad prose—does

not quote the passage in "Capital" in which the Red Prussian really goes to town.)

The book, which is introduced by Mr Eric Linklater, manifestly tries to revive a sense of horror and indignation at the actions or inaction of a pair of absentee metropolitan landowners who could allow the forcible displacement of their own clansmen. In this it succeeds very well. But, above all, the story is a vehement indictment of the Lowland Scot who, in the author's view, always plotted steadily against the surviving speakers of the Celtic languages. The two factors, Sellar and his successor, James Loch, are for him symbols of this bullying conquest of Gaelicdom, as much as deceitful arrivistes, who preached the gospel of agricultural progress while practising what was virtually theft of land and livestock.

What, however, perhaps puts Mr Grimble's work in a better intellectual perspective is his own final remark. "Sellar, Loch and the Countess-Duchess appear at this distance in time as the end-products of a long historical process, whatever their private motives may have been." That gradual process (the absorption of Gaels by Lowlanders) should, surely, at least have been sketched into a book which sentences almost the whole northern Establishment of 1816, proprietors, factors, officials and ministers of the Kirk, to ignominy as a bunch of unutterable sycophants and quislings. But then so cautious an approach would have spoilt Mr Grimble's fun. As it is, he has given us, as it were, a first-class film script, magnificent material for a Wild Northern; but one in which the bad men always win.

THE ECONOMIST NOVEMBER 3, 1962

Blood Saves Ground

The Price of Glory

By Alistair Horne.

Macmillan. 382 pages. 35s.

ONE of the adages of infantry training in the last war was "sweat saves blood, brains save sweat." The lesson of the Great War, in which a cynic might say "blood saved ground," had been learnt, and in the whole of the battle of El Alamein the British army suffered 13,500 casualties, compared with nearly 60,000 on the first day of the battle of the Somme alone. But it was at Verdun even more than on the Somme that the self-defeating policy of attrition went mad. Started deliberately by Falkenhayn to bleed France white, it became a matter of honour and pride for France to defend every inch of the "sacred soil." How blind can men be? Every yard of soil, pitted with shell holes and threshed by machine gun fire, cost lives and the more lives that were lost the more it became a point of honour not to cede ground and more men were hurried forward to be ripped to shreds by gunfire.

The German army lost nearly as heavily as the French, not least because Falkenhayn wavered indecisively at the moments of crisis, and because at his elbow was an *éménence grise*, Knobelsdorf, who was obsessed with the idea of attrition and nothing but attrition. Verdun was not taken and, if one is cold blooded enough to forget its horrors, this was a drawn battle. But in a sense never anticipated by Falkenhayn, whose frustrated purpose was to knock the French army out of the war for good, the battle did bleed France white. Because of the French system of rotation, more Frenchmen experienced the terrors of this one battle than of any other. They carried its physical and mental scars for the rest of their days. It led directly to the mutinies in 1917 and more than any other battle opened the running wound in French morale that led to the defeat in 1940. Time may have diminished its furies, but the consequences of its heroic glories linger on; as Mr Horne so rightly says, Dien Bien Phu began a "fatal symbol" of the honour of the French army, because it was still conscious of its stand at Verdun, and it is something more than verbal coincidence that one of the slogans of the colonels of Algiers was "De Gaulle ne passera pas."

All this and more is captured in one of the most brilliant books that has been written about the Great War in the last few years. Recent books on that war have often failed because the writers lack the imagination and sympathy to relive the feelings and emotions of the time. They are too much concerned with attacking or defending reputations to see and to understand. Mr Horne joins the notable and honourable exceptions. The narrative moves easily from the details of fighting in this trench or that fort to the political and strategic arguments (or lack of them) at

headquarters. The intrigues, the weaknesses and the follies are exposed; but the whole of the book is shot through with compassion, not simply for the *poilus* in their agony but for the generals grappling with a fury that was too big for them to control. The judgments on these men, which, Mr Horne frankly and modestly admits, tally closely with those passed by Captain Liddell Hart thirty odd years ago, are sound and fair. The great virtues of Pétain, for instance, are exposed but in such a way as to reveal the seeds of self-destruction within them; the clue of the man lies in a phrase of Serrigny's quoted by Mr Horne: "You think too much about the French and not enough about France." There was a feeling of love and compassion in this austere man for his fellow countrymen (though not for other nations) which Verdun and the mutinies brought to the surface. It is just that we should be reminded of it, and that the tragedy of a battle can have fatal consequences for a nation as well as individuals, by a man so understanding as Mr Horne. His is a book of skill and insight.

The Bakers of the Nile

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By Samuel White Baker.

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THE ECONOMIST NOVEMBER 3, 1962

Forty Years On

The Autobiography of Margot Asquith

Edited and with an Introduction by Mark Bonham Carter.

Eyre and Spottiswoode. 379 pages. 30s.

NOWADAYS, England expects the telly interviewer to peel the protective clothing off living celebrities, but the habit was not common when these memoirs were first published forty years ago. The King set the tone when he remarked, on learning that Mrs Asquith was about to be serialised in *The Sunday Times*, that "people who write books ought to be shut up." He could and did rebuke a Field Marshal (Haig in 1919) for publishing war memoirs, but he had no hold on the wife of an ex-Prime Minister. So controversy raged with, on the one side, *The Times* chastening the author not merely for indiscretion but for "vanity and self-love," and, on the other, Privy Councillors applauding her style and the historical value of her work; C. F. G. Masterman called it "a book not 'of the day,' or the week, but for the centuries." It lives up to his verdict, for this is its third major rendering.

The first was published in 1920 and 1922, and caused the furor; the second came out in 1936 when, as a Penguin—two volumes, unabridged, at 6d. each—it was real value for money and was lapped up by the generation now in its fifties that was too young to have tasted the original savour. Mr Bonham Carter, who is Margot Asquith's step-grandson, cannot add more

than a touch or two—mostly nursery memories—to a well-known portrait, and, as in 1936, the chief interest of a reprint lies in the impact that it will make on readers too young to remember its predecessor.

In order to produce a single volume of reasonable size and price, Mr Bonham Carter has sensibly cut chunks of the political comment; even the Concise Dictionary of National Biography finds room to say that Margot—"unteachable and splendid"—was politically a "potential liability," and in this field her impassioned judgments do not make history. But as a social and human document her book is as alive as ever. Even readers who deplore the enamelled splendour of the high society in which she lived must enjoy the warmth and vigour of the Tennant home; the give and take between the sisters never palls. Of equally permanent interest are the terse, unflinching comments on great men of the day; the context in which Balfour's detachment is "insolent," Hartington "gives a great wheezy guffaw at all the right things" or Jowett describes his love as "violent... very violent" is well worth thirty shillings, and the only drawback to an autobiography that is everlastingly important and funny is that, being a self-portrait, it does not do justice to one of its author's chief gifts, which was for repartee. Margot Asquith, full to the brim with certain brands of good sense, knew that the wit who repeats his or her own brilliant remarks does not live for ever.

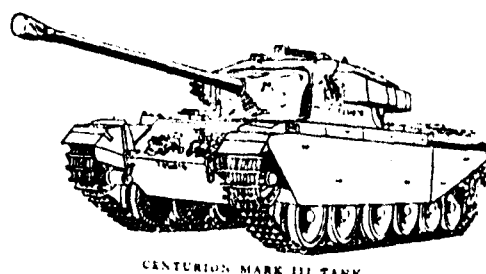
Words and Things

Oxford Illustrated Dictionary

Edited by J. Coulson, C. T. Carr, L. Hutchinson and D. Eagle (text) and H. M. Petter (illustrations).

Oxford University Press. 1,000 pages. 50s.

THE supplement to the 13-volume Oxford English Dictionary is still being compiled. In the meantime, as a sort of curtain-raiser, the publishers have produced a new volume, half dictionary and half encyclopædia, illustrated with some 1,700 drawings. As a dictionary, the volume is based upon the vocabulary of the Concise Oxford Dictionary, though with new definitions and additions. "Disinflation," for instance, appears for the first time and is defined as "policy designed to remove or offset the inflationary elements in a country's economic situation without incurring the bad effects of DEFLATION." On the whole, however, economics and statistics are not very well represented; as might be expected in an Oxford publication, the dictionary is not so strong on the science side as on the arts—those mysterious chemicals DNA and RNA, for instance, which perhaps contain the very stuff of life, are omitted. The whole common market complex is also



CENTURION MARK III TANK

virtually ignored. OEEC is there, but it has now been displaced by OECD; this would, of course, allow the compilers to retort that this example shows the dangers of being too up to date—a word can be superseded while the dictionary is in the press.

They have, in any case, given us a great deal to be thankful for. Famous men and places appear—Gretna Green gets an inch and a half of text; and wherever an explanation requires an illustration, it has been given one (see example above). Appendices give such varied information as Roman and Holy Roman Emperors, Presidents of the United States, Popes, Prime Ministers, Kings and Queens of England, counties and county towns, the states of America and their capitals, the chemical elements, British and metric systems of weights and measures. And all for fifty shillings.

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Camera Portrait

Renoir, My Father

By Jean Renoir.

Collins. 416 pages. 36s.

TO anyone familiar with Jean Renoir's films, it will come as no surprise that this portrait of his father is full of warmth and sympathy. Nor that the author's own personality is felt throughout: the camera goes backwards and forwards in time; no scene is allowed to become stale before it is replaced; nor is the hero allowed to occupy the centre of the stage all the time. The result is spontaneity, gaiety and tenderness.

Jean Renoir was wounded in the first world war, as a result of which he spent some considerable time alone with his father in Paris, where "as a fair exchange for my war stories, Renoir entertained me with recollections of his youth." The father's reminiscences a few years before his death in 1919 at the age of seventy-eight and the son's impressions of him—left, curiously, in cold storage for nearly half a century—are set down in a way best described by this quotation from the book: "In Renoir's words, the most trifling recollections were as important as the revelation of his deepest feelings. This led to a certain disorder in his reminiscences, which I shall try to respect here." The result offends sometimes in literary style, lapses occasionally into repetitiveness, but is never boring.

There is not much new, however, for the art historian. The mystery of a change in a style of painting lies in the fact that artists adopt it simultaneously, but separately, before they come together to influence each other. A point seems to be reached in the development of art when change seems inevitable. The way Renoir painted was the way he felt it necessary to paint. "One is merely a cork," he said; "You must let yourself go along like a cork in the current of a stream." A purpose in life was foreign to his nature; he was no intellect but revelled in the triumph of instinct over reason. "He looked at the world with continual astonishment" his son writes. He thought it unnecessary to explain art. "You don't talk about paintings: you look at them." Nevertheless, he did express views and contradictory views at that. His reactions, according to his son, depended on the people he happened to be with, just as he was torn between subjectivism and objectivism, between Ingres and Monet. His "cork theory" allowed him to change his technique in painting whenever he felt like it and to turn from Impressionist landscape painting to more fashionable portraiture, which gave him a more comfortable living than some of his contemporaries.

There are no delights for scandal-mongers in this book, no horror other than that conjured up by the crippling arthritis of the painter's later years, years in which he nevertheless continued to paint masterpieces, including the Louvre's "Les Grandes

Baignaises." Nor is this a typical film concept of an artist. Renoir was a more orderly man and had a more sober enthusiasm for life than might be supposed: he believed, for instance, in the ritual of meals, kept his palette and brushes scrupulously clean, and enjoyed the rich and cultivated world without feeling envy for it. There are many details, however, for biographers to fall on: for instance, this record contradicts another biographer's statement that, unlike Corot, Renoir never touched up or over-painted a fake picture ascribed to him.

But, for the most part, this is an intimate family story, relating the turbulence and neighbourliness of life in Paris flats, Saturday evening pot-au-feu dinners, comforting warm days in the Midi and the painter's reliance on his wife with the "cat-like" face, identifiable now throughout the world as the Renoir face. A sentimental tribute, yes, but an enjoyable one.

Oliver Lyttelton Remembers

The Memoirs of Lord Chandos

The Bodley Head. 462 pages. 36s.

OLIVER LYTTELTON was one of the remarkable group of men whom Mr Churchill brought into office from outside political life in the critical days of 1940—the group that included Beaverbrook, John Anderson, Bevin, Woolton, Leathers. He held his own easily in that company. He brought to the diverse public offices which he held—President of the Board of Trade, Minister of State in Cairo, Minister of Production during the war, Colonial Secretary in 1951-1954—outstanding gifts of experience, intelligence and competence. He moved easily in the worlds of fashion, sport and business. He was an aristocrat; Eton, Cambridge and the Guards were the forcing ground; he married a duke's daughter. He had shown superb physical courage in the war of 1914-1918; he was to show equal moral courage at critical moments during the second world war and in his period as Colonial Secretary. He had had a long and successful business career in the highly competitive world of non-ferrous metals ("I took you up out of some bucket shop in the City a few weeks ago, and what can you know about politics or public opinion?" Mr Churchill was to say in exasperation at the prospect of clothes rationing). As a Minister he never really caught the note, or the ear, of the House of Commons. But to problems of policy and administration he brought not only a long, disenchanted, intuitive knowledge of markets and men, but also qualities of high intelligence, (he was not a friend of Keynes for nothing) resolution, resilience, and also an infectious gaiety and insouciance that enlivened many a dreary meeting and dark hour. He could fairly say at the end of his public life: "I have done the State some service, and they know it."

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memoirs? The answer must, unhappily, be somewhat qualified: the book does not measure up to the man. It is ill-balanced and uneven in quality, with patches of poor and perfunctory writing, which reveal the onset of boredom and scarcely transcend the level of journalistic gossip. There are only rare traces of the imaginative perception and artistic sensitivity which, as his friends know, are to be found co-existing with the worldly wisdom and the hard high spirits. The judgments on men and affairs—there is a separate chapter on Churchill, and sketches of Eden, Bevin and John Anderson—are always shrewd and penetrating as far as they go. But they lack subtlety and depth.

Nevertheless the book is never dull, commands respect, and gives pleasure. There are three vivid and remarkable chapters describing life as a Guards officer at the front during almost the duration of the 1914-1918 war. The passages about the period which the author spent as Minister of State in the Middle East, and about his relations with General de Gaulle, though they break no new ground, have a refreshing candour. The defence of his policies as Colonial Secretary, especially the almost desperate measures needed to restore order in Malaya and Kenya, and to bring about the beginnings of federation in Nigeria, reveals a certain innate lack of imagination, but is nevertheless a timely reminder of the extraordinarily difficult problems that preceded the "wind of change", and the courage and hardihood needed to deal with them. And the book has both flashes of admirable insight and an authentic flavour of someone who, whatever his burdens and responsibilities, has never cared to "look too good or talk too wise" and who has never been able to resist a good story or a joke. Fortunately he has not tried to do so at all in this book. It is full of them, and the best are very good indeed.

Stature Regained

Newman: Light in Winter

By Meriol Trevor.

Macmillan. 673 pages. 50s.

THE first volume of this biography was rightly praised by the reviewers. This second volume is still better. It elevates the whole work into a biography of distinction, at once readable and profound.

The first volume left Newman at his lowest point, the sordid Achilli trial. This takes him through all the frustrations to his recovery of national stature by the publication of the "Apologia pro vita sua," and at last to the serene and secure grace and influence of the Cardinalate and his dying years. With the aid of the archives we are taken behind the scenes in the pathetic waste of his time in the university at Dublin; his denunciation to Rome as a heretic; the depressed years when he was filled with self-pity and yearned nostalgically (but not religiously) after his former Anglican friends; the fight with Kingsley,

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which turned him into a figure of such reputation that he could stand up to Manning and the Roman Curia combined: the battle for an Oxford education for Catholics, which he lost to Manning, and the battle for the Cardinal's hat, which his friends won against Manning—narrow, parochial, ecclesiastical controversies in one sense, yet at the European level part of an agonising contest to prevent the Roman Catholic Church of the nineteenth century putting itself altogether out of the running in the struggle for educated minds. The strength of the book is in its portrait. It shows Newman's fascinating personality in a new depth of light and shadow, the public figure in an intimate background of private life, of holidays and friendships and priestly duty. No previous writer has penetrated so near to Newman's soul.

Such a book, which will be influential, deserves serious criticism. Miss Trevor is no pious hagiographer, she discloses the evidence of wars, she holds back nothing. But it is a question whether that sympathy and understanding may not also have led her to be less than fair to Newman's enemies. She talks about the "legend" of his sensitiveness. But his prickliness peeps out from many pages; he spent hours listing hostile acts against himself, brooding over slights real or imagined; he had a sense, though not a complex, of schemers at work, plotting against him. The truth is that Newman could be exceedingly thorny if he took offence, and that he easily took offence. A bigger man would have brushed off the hornets and the gadflies and gone his way. But then a bigger man would have accepted Kingsley's poor apology and shrugged him off with contempt, and the "Apologia" would have been lost to history and to literature.

Kingsley accused him of playing with words, and wrongly thought him therefore dishonest. Newman convinced the world of his honesty, and Miss Trevor therefore acquits him of playing with words. It is one of the tangles in Newman that his undoubted integrity was accompanied by a habit of juggling with arguments, a habit that in anyone else would be called sophistry. Just before the definition of papal infallibility, his famous private letter, denouncing Manning's party as "an aggressive and insolent faction," was leaked in Rome. The letter appeared erroneously as "an insolent and aggressive faction": and Newman promptly wrote to the press denying that he had used the published phrase. He afterwards explained that when he looked at the draft of the letter he had not observed the phrase in it. Miss Trevor accepts the explanation, perhaps rightly. But there is something about Newman's attitude to occasion a qualm whether the incident was as wholly naive as he claimed.

It will therefore not be wise to regard this book as a perfectly fair account of Newman's critics, from Manning and Faber downwards. But as the portrait of a man, of a Victorian, and of an English Catholic priest, it is brilliant.

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Web of Steel

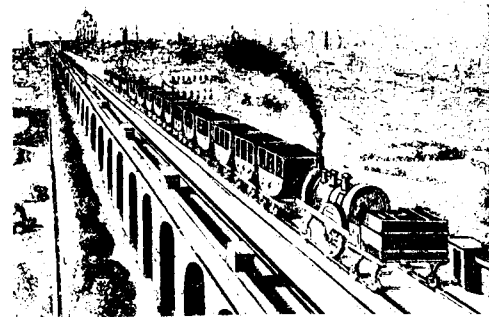
London Railways

By Edwin Course.

Batsford. 280 pages. 35s.

NOW that most of the news about railways is of shutting down, pulling up, and redundancy, it is a pleasant change to read a book about railway building and of extensions, additions and expansion—even though financial problems loomed up then. Mr Course's book is for enthusiasts, and it is immensely detailed in its description of track layouts and of the historical reasons for the complex "tangles" at New Cross and Battersa.

But even for the inexpert the book, which has plenty of illustrations and plans, provides much enjoyment. There is a splendid description of the building of the viaduct to Deptford and its gas-lit boulevards alongside. *The Times* of March 12, 1835, stated that "the number of people who paid 1d. each to walk on the footpath of the London and Greenwich Railway on Sunday last amounted to upwards of 3,000." The modern commuter, who daily travels along the now vastly widened viaduct, vainly trying to read, would find his journey far more interesting if he soaked himself in the



The Greenwich Viaduct in the 1830s

history of the line, but he will not find any explanation of why, to this day, the bottleneck over Southwark market has never been eliminated.

Others, rolling down that steep hill from the river into Victoria, can ponder the luck of their ancestors who, a hundred years ago, were able to arrive there on broad gauge lines from Southall via Kensington and Clapham Junction or from Barnet via King's Cross, Farringdon and Brixton. (The tube lines naturally do not count as proper railways, and there is therefore little about them in this devoted book.) There must still be a lot of nephews who like trains. This would be a meaty book for them, and the uncles could then borrow it back.

Between Wars

The Familiar Faces

By David Garnett

Chatto & Windus. 236 pages. 25s.

THE third volume of Mr Garnett's autobiography runs from the early twenties to the first months of the war: it starts when he is established in life as an author and father of a family, and ends with the death of his first wife in 1940. There are two themes: one is the brilliance and achievement of the intellectual life of England during that much-maligned period, and most of all during the twenties; the other is a series of deaths, many premature, which narrowed the circle of his friends during the thirties, a period made still more painful for him by the slow advance of his wife's cancer; all this against the blackening political horizon. Hence the title—"All, all are gone, the old familiar faces"—and hence a list, at the beginning of the book, of dates of deaths.

To anyone who lived through these years, the whole book is fascinating; but the earlier part, devoted to happiness and success, is largely anecdotal and will probably not say much to a younger generation,



though an exception must be made for a fascinating passage on George Moore. The later part, where the scene is more sombre, counts for more. It is a generous book, with more said in praise than in criticism, and with a constant sense of loss from those who died too soon. Lytton Strachey is singled out as one whose intelligent sanity, if he had survived, might have influenced for good a whole generation that lacked that particular impulse. There is a very interesting passage on T. E. Lawrence: Mr Garnett has done so much for his memory that it is well to be reminded that he came to know Lawrence late and never counted him among his close friends. There is much about some men and women of talent who are beginning to be forgotten, but revive in Mr Garnett's words, such as the Tomlin brothers, Carrington, Dorothy Edwards and Julian Bell.

The person about whom least is said is Mr Garnett, except on the plane of chronicle. This is a pity, but perhaps inevitable. In his first volume he had a wonderful picaresque story to tell; his second showed the development in wartime of a not wholly likeable young man; his third shows a mature man who accepts a greater measure of discretion as he approaches the present, a novelist, book-seller and journalist who is not caught up in history during this period and who has rather little (though that interesting) to say about his writing. He appears as the good-mannered friend of many who does not impose and only half reveals himself. But whatever he writes, as always, is good reading.

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Autumn Books

Industry, Income and Investment

F. W. G. Benemy

The author shows in this book that economics can be interesting and simple to understand. For this reason it will make an immediate appeal to students and general readers. By the author of *Whitehall-Townhall* (2nd imp.) 18s.

An Introduction to Industrial Administration

F. R. J. Jervis and W. F. Frank

This book is primarily intended to cover the requirements for the papers in industrial administration set by the Institute of Mechanical Engineers. "Almost encyclopaedic in scope"—*Electrical Review*. Illustrated. 42s.

British Commercial Institutions

Peter F. Payne

"This is a manual for those who want a ready reference to the shape of industry. It is clearly written and, to its great advantage, illustrated with plenty of examples of companies in the fields discussed."—*Financial Times*. 15s.

How to Read Statistics

I. R. Vesselo, M.Ed., B.Sc.

The aim of this book is to present the elements of statistical method in such a manner as to induce a critical attitude towards the conclusions drawn from numerical and graphical data. "Very readable and reasonably priced, deserves a wide circulation."—*British Book News*. Diagrams. 12s. 6d.

HARRAP

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Ed. by SALLY P. JOHNSON

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November 8

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HAMISH HAMILTON

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Flower of Cities All

London Perceived

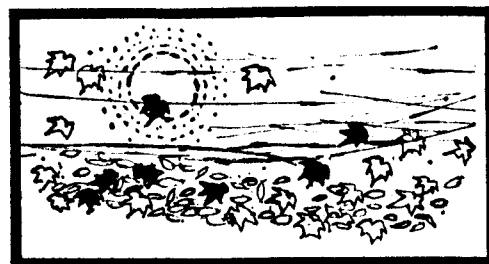
By V. S. Pritchett and Evelyn Hofer

Chatto & Windus and Heinemann. 110 pages and 119 photographs. £4 4s.

At first sight the collaboration over this book between an English literary critic and a foreign photographer seems strange. In fact, the mixture is quite right. A stranger brings a fresh eye to a Londoner's too familiar scene, and can see and record the qualities peculiar to his city: the bricks, the plane trees, the pubs and the muffled misty thin light of a winter's afternoon. And London as we know it now, still so predominantly made up of eighteenth and nineteenth century buildings, can be better perceived and fully comprehended if one listens to what writers—Johnson, Defoe, Pepys, Dickens and many more—have had to say of it and of life in it.

Mr Pritchett has been ambitious; he has tried not only to catch the essential flavour of London but has also set himself the daunting task of capturing and setting down the characteristics of the Londoner himself. In chapters on the river, the City, the eighteenth century, Westminster and the Victorians he adroitly avoids the labels of a tourist, historian, architectural critic and spokesman for the British Travel and Holidays Association. His account is learned and, at the same time, easy flowing and very readable. The picture of the Londoner, however, is dated. It might have been true forty or even thirty years ago, but Mr Pritchett's quarry has now well-nigh vanished. The welfare state, affluence, television, suburban sprawl and slum clearance in the inner suburbs have made the Londoner archaic. The Billingsgate porter in that funny hat, the bowler-hatted City gent in that Victorian pub, and the waterman may all borrow garden tools from each other on a Sunday morning in Welling, and there is little to distinguish them from their cousins in Birmingham, Basingstoke or Bedford. The individual savour of an inhabitant of the Elephant district who had never in her life been across the river—not a rarity thirty years ago—must by now have evaporated.

Miss Hofer's pictures are delightful and capture the atmosphere of the Town. They are all full page and sometimes double page, and a fair quota are in delicate colour. They complement and often illustrate Mr Pritchett's discourse, which flows along



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on the opposite page. Many of them are genre portraits of policemen, market-porters, apprentices, ticket-collectors, and customers of pubs, but there are few that illustrate ordinary life or the ordinary Londoner in office, cinema, restaurant, shop or bus.

The book is lavishly produced, as befits the price. Only two errors spring to notice. Surely the hotel in Gravesend is named after Clarendon not Clarence, and can it be that in one paragraph Mr Pritchett has confused Caxton Hall with the Central Hall, Westminster?

A Champion Editor

Problems of an Editor

By Linton Andrews.

Oxford University Press. 191 pages. 25s.

YORKSHIRE cricket lore is spicy with stories of Robinson and Rhodes thumbing the pitch during the tea interval, in order to tell their amateur captain when to declare the innings closed and put the other side at most disadvantage with the bat. Sir Linton Andrews, who edited famous Yorkshire papers for more than a generation, is Robinson, Rhodes and the captain at one and the same time—with just the difference that he has always been a professional himself.

This book, in its modest, reflective, knowledgeable and experienced way, is both the apotheosis of the golden age of good provincial newspapermanship and the right, shrewd "commonplace book" for all aspiring journalists as well as for editors. Sir Linton, before he retired two years ago, became chairman of the newspaper industry's own much less potent MCC, the Press Council, and has his own sympathetic but still principled views about the way in which the modern press is going; but the chief virtue of him and of his book is that he sees as a single professional—and vocational—whole the entire process of making and editing a newspaper, from reporting and sub-editing to presentation and propriety in the choice, display and policy-making of its news and opinions.

He says little that is new, but much that is true, from a lifetime of honest, skilled and (if the word can be allowed nowadays) dedicated work. Sir Linton does not pretend to be a prophet, and his views about current trends in the press are characteristically fair and tentative. It could be, however, that his book may be remembered precisely for a prophesy, perhaps hardly intended: "It would not surprise me", he writes, "if in the near future we had in London a Labour evening paper". Is he pointing to one, perhaps the only possibly profitable, escape from Mr King's promise to keep the *Daily Herald* going? At any rate prophecy apart—and Sir Linton would not claim the mantle—this is a book that most journalists and many newspaper readers will like to read.

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One Race, One Man, One Leader

Three Continents

By Field Marshal Montgomery.

Collins. 256 pages. 25s.

THERE is but one race under Heaven which could stand between the western world and destruction [if a world war broke out]... the Anglo-Saxon people. It is the conquering race of the earth... Would it not be a glorious task for a man of our race so to unite the Anglo-Saxon peoples that they stand as a solid barrier of invincible manhood before which the flood of barbarism would dash itself to pieces like cloud-waves against the granite summits of eternal hills?... May Heaven aid us to find the man to carry it out". Such is Lord Montgomery's conclusion.

His earlier remark that "President Kennedy may well prove to be the leader we need in the West" is misleading. In later chapters it becomes clear that Mr Kennedy will not do. For one thing, Lord Montgomery has not met him. The President has not attained the same state of grace as the other Top People assembled in these pages, the message of which might be summed up, using Mr David Low's formula, as: "Gad, Sir, Lords Mao, Nehru, Verwoerd, Castro, Somoza and Diefenbaker are right".

Only Mr Albert Luthuli, of all those questioned, is found wanting. He is not on Top. He "claims to be a Zulu Chief"; but Lord Montgomery, no fool, checks up with the Paramount Chief of Zululand and learns from this high source that Mr Luthuli is no true African leader.

When one moves in a world of paramount chiefs, the quest for political truth becomes a fairly simple matter. Truth is revealed at the summit and brought down in tablet form. What if some rumour from among the grubbers at lower levels reaches Lord Montgomery's ears, say, about a rift between Russia and China? The Top People of Peking deny it; and "one would have to go to Moscow for a quiet talk with Mr Khrushchev to get at the truth". As for the "somewhat confused situation on the China-India frontier", the confidant of both Mao and Nehru would be ill-mannered to say more than that "this will need to be cleared up before the 2 nations can be said to be the best of friends".

Compliments flow both ways at these lofty levels. The field marshal finds all his hosts honest, sincere and likeable. Mao tells him: "You are very enlightened". Lord Home writes him "a very nice letter of thanks". General Ydigoras and his Guate-



malans hail him as Britain's only real gentleman, and as a hero of Ireland's struggle for independence to boot.

Although "it is captaincy that counts", and Lord Montgomery does not shrink from informing a rather bashful Mao that "the all-important person was the leader; the people didn't always know what was best for them", the masses are not completely ignored. They are disposed of in crisp summaries. Africans are "indolent", and those in South Africa are "contented with their lot". "All Chinese" are heavy cigarette smokers. More universally still, we are told that it "must be realised" that

wherever one goes in the world one finds people of all races and colours desperately anxious to see things develop in the way they want.

The West, having had "17 years with no aim", is now at last presented with a simple twofold political aim: to make friends with China, and to get all armed forces back to their homelands, "without weakening the defence posture of the Western Alliance". It "need have no fear" of the growing power of China. It must urge India, Australia and all the countries between them to form "a solid block against military aggression or Communist intrigue." "There will be no difficulty" in securing absolute freedom for West Berlin once the Oder-Neisse line and the East German government are recognised. "We must withdraw our army from Germany at once". Nato must be made into "a true alliance".

The Great Bore

The Tunnel Under the Channel

By Thomas Whiteside.

Hart-Davis. 133 pages. 16s.

CHEERFULLY adding the bard to the long list of signatories to the petition published in 1882 against the evil undersea works of Sir Edward Watkin, the greatest and most practical exponent of the dream which has obsessed unEnglishmen for a century and a half, *Nineteenth Century* solemnly sang:

... the silver sea,
Which serves it in the office of a wall
Or as a moat defensive to a house,
Against the envy of less happier lands;

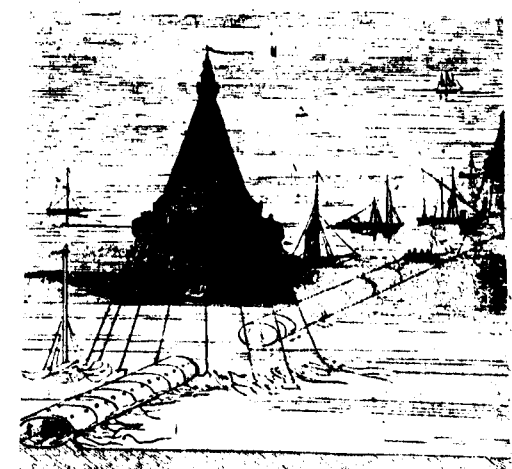
and most of the nineteenth century sang with it. The embryonic Channel Tunnel died of the petition, Sir Garnet Wolseley and the Board of Trade; and has been resuscitated in the minds of men only briefly and intermittently since. But times change: it is quite an English thing, now, to be a European; and there is room for hope in the never-failing breasts of pro-tunnellers that the near future will see their dream realised—and if the hope is somewhat tempered by the extraordinary generosity demanded of French and British governments for that realisation, it is correspondingly raised by the vociferous opposi-

Autumn Books

Western political unity is "the first fundamental need". Britain must not get "entangled in the political systems of Europe". American air force precautions against surprise attack are "the greatest obstacle towards the reduction of tension". Britain's Bomber Command "must maintain a high state of preparedness; if Russia thought she could hit us without our being able to hit back, we would be open to all sorts of pressures!" (the italics are Lord Montgomery's).

Outside Europe, "the whole Commonwealth must be closely allied with the United States; that is fundamental". The under-developed countries must be urged "to follow the neutral course which all their instincts urge them to take". "India is needed in the Western camp". Pakistan's allotted role is to weld the Arabs into a "non-aligned group". "Africa is essential to Europe and to the Western alliance". Communism, which has contributed little to "the landslide in Africa", must be kept out of Africa by the joint efforts of "the Arab block in the north, and of the Republic in the south". "Nothing will satisfy the African but control of his own political life and destiny". The United States is much to blame for having caused "the decline of the Dutch, French and British Empires, which should all have been stabilising influences". "The Commonwealth is destined to be the corner stone of the free world. But alas! it is not what it used to be when I was a boy".

Right. That's clear enough, isn't it? Any questions?



Hector Horeau's tunnel scheme of 1851

tion of certain military men, happily retired, to whom the violation of England's maidenhead (to paraphrase Lord Randolph Churchill) is anathema as black and fatal as the common market itself. Mr Whiteside is an American and is therefore unaffected by passions which ran as high, in their day, as those of the current European debate: his neutral history of this fascinating and not unfantastic project is clear, amusing and instructive—and perhaps a little shaming to the closed insular mind which has damned its fellows for so long to the horrors of the channel sea-passage.

Autumn Books

The Glory of Persia

Iran: Parthians and Sassanians

By Roman Ghirshman. Translated by Stuart Gilbert and James Emmons. Edited by André Malraux and Georges Salles.

Thames and Hudson. 347 pages. £6 15s.

As the science of archaeology develops, so the technique of dating becomes more precise and generates a new inquiry: how far was the art and literature of each region indigenous, and how far derived under the influence of conqueror or trader. This magnificent book deals with a period well within the range of recorded history, but is a model for all study of the influence of one civilisation upon another.

Roman Ghirshman is a French archaeologist famous for field-work in western and central Asia and, in recent years, in Persia. English readers know him for his Penguin "Iran," and English travellers for his personal kindness to the passing visitor to his sites, where he is a byword for making the past live again.

In this book, he first surveys the five and a half centuries that separate Alexander's conquests from the rise of the Sassanids—the people whose arts most people envisage when they think of Persia. During this lapse of time the Parthians, more vigorous than the overstretched Greeks and Macedonians on the high plateau of Iran, drove a wedge between the Greek kingdom of the Selucids in the west and the Greek kingdom of Bactria in the east, and reintroduced pure Iranian art forms; but, living in amity with Greek colonies in their midst, they did so under Greek influence. The Sassanid dynasty, with its greater artists, therefore "came into power at the very time when the art of Iran was being regenerated, achieving stability and harking back to the racial tradition." So that when the Sassanians, chiefly through the medium of the Islamic conquests, came to disseminate Iranian art forms as far west as Ravenna and Germigny-sur-Loire, and as far east as Japan, the art they spread was of Greco-Iranian descent.

As one expects from an expensive art book, the letterpress and the superb illustrations are beautifully mated, so that the book informs mind and eye without any unnecessary turning back and forth. It is so lavishly illustrated, and some of the illustrations from private collections are so rare, that it is not dear at its price. Its third part consists of a glossarial index that is useful in any context, and the list of illustrations includes—a valuable asset—many indications of the size of the object photographed. Many of the plates are in colour, which is of special advantage in the section on textiles that was prepared with the help of the French mediaevalist, Madame Clemence Duprat. Professor Ghirshman pays suitable tribute not only to her but also to the many fellow archaeologists—notably Schlumberger and Rostovtzeff—who have helped him to his conclusions.

Queen of the Icen

The Rebellion of Boudicca

By Donald Dudley and Graham Webster
Routledge and Kegan Paul. 179 pages. 28s.

BOADICEA, queen of the ancient British tribe of the Icen, is known to most of us only as a half-legendary figure who fought the Romans in a war chariot. This book sets out to tell the story of the historical Boudicca, and to assess the significance of her rebellion in AD 60 in the light of the extensive studies in Romano-British history which have been carried out in the last fifty years.

Only brief accounts of the revolt are given by Tacitus and the less reliable Dio Cassius. The authors have therefore had to look beyond British horizons for their accounts of Roman colonial government and military organisation, which put their story in its proper perspective. The tale they tell is of a disaster resulting from a conquest pressed too far too rapidly, and without sufficient attention to local conditions. The Romans had started as the Friends of the Icen, but lost their allegiance through their high-handed behaviour and their hostility towards the British religious leaders, the druids. The harsh taxation of the Roman procurator roused fierce resentment; and the pre-occupation of the Roman military governor with his campaign in Wales gave Boudicca her chance. In the summer of AD 60 she rose at the head of a great confederation of southern British tribes. Colchester and London were sacked, and only good fortune and the tenacity of the Roman commander, Suetonius Paulinus, saved the situation.

This is a workmanlike account of the first hazardous years of Roman occupation in Britain. Its authors have paid special attention to recent archaeological discoveries, and have included some excellent illustrations and maps. They have successfully put the story of Boudicca into its historical context, without losing touch with the drama of the events of AD 60.

Second Instalment

Last Letters to a Friend

By Rose Macaulay.
Collins. 288 pages. 25s.

OPINIONS were sharply divided among readers and reviewers about the publication, last year, of letters from Rose Macaulay to Father Hamilton Johnson, a distant cousin and a Cowley Father, to whom she wrote intimately on spiritual and other matters at the time when she resumed the full practice of her religion. Some deplored what looked like a breach of trust or, at least, a lapse of good taste. Others thought that the letters, themselves wise as well as witty, would be helpful to other people seeking the way back into the Church or doubtful about its value. Others again, for love of Rose Macaulay, were

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happy to have anything that she had written. This second instalment will do nothing to move the objectors from their standpoint, for though these letters are in no way embarrassing, they are essentially meant for the eyes of one particular friend. The exchange of churchy chit-chat and comments about Latin collects no doubt was a source of pleasure to both correspondents; but the parochialism discernible in the earlier letters is more marked here, especially in the tone of impatient contempt whenever the Church of Rome is mentioned. Though the period covered includes the journey to Turkey which foreshadowed "The Towers of Trebizond", the travel letters are sketchy, and the others have little value either as literature or as Anglican propaganda.

Sicilian Legacy

Two Stories and a Memory

By Giuseppe di Lampedusa. Translated by Archibald Colquhoun.

Collins with Harvill Press. 128 pages. 18s.

ANY further writings, however fragmentary, by the author of "The Leopard" are bound to be eagerly awaited and sympathetically received. And although this small book would have made its mark without any advance publicity it gains an added fascination from the light it throws on the background of the Prince of Lampedusa. Early in the memoir, "Places of my Infancy," Don Giuseppe remarks how much he would like to emulate Stendhal's "remarkable attempt" in "Henri Brulard," "to sweep away accumulated memories and reach the essence." Most readers will feel that he has succeeded.

Don Giuseppe's success is of course principally due to his skilful craftsmanship as a writer (and the book is excellently translated into English). But it is also due partly to the fact that he was a boy who loved solitude and "liked the company of things more than of people," so that the gardens, rooms, furnishings and so on of his childhood homes were particularly well imprinted on his memory; and partly because the destruction during the war of the old Palazzo Lampedusa in Palermo, which he loved "with utter abandon" and which he never ceased to mourn bitterly, gave to his writing a sort of nostalgic vividness that it might not otherwise have had.

Don Giuseppe also describes the vast house (about a hundred rooms) at Santa Margherita Belice, which was his family's favourite country house. The house was "a kind of eighteenth century Pompeii, all miraculously preserved intact." The author describes the house, the garden, the church, where every Sunday the family heard mass "without excessive fervour," the theatre and its visiting players, the neighbours and his parents' social round with an adult sophistication that is repeatedly shot through with revealing and

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PARKINSON



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J. G. CROWTHER

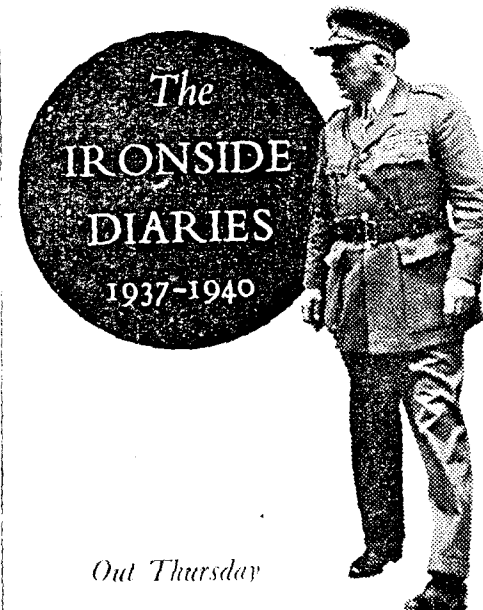
The author looks at the men behind the scientists, examining their achievements in relation to their environment and their individual characters. James Watt, Henry Cavendish, Joseph Priestley and Joseph Black stand at the centre of an important revolution and what they and their colleagues achieved and why and how they did so, are brilliantly shown.

Illustrated

35s.

CRESSET

Autumn Books



Out Thursday

With all the immediacy, frankness and authenticity of a personal, day-to-day diary here is a revealing account of the crucial years which led up to Dunkirk by Field-Marshal Lord Ironside, who became CIGS for the first 9 months of the war and who later organised the defence of Britain as C-in-C Home Forces. 434 pages, epilogue, appendices, index, 21 photos., 8 maps, 35s.

CONSTABLE

publishers of Barbara Tuchman's "August 1914"

Come, fill the case...

Breadless, wineless, sadly songless in an unpoetic wilderness known as "the doghouse." Such poetic justice may well descend upon that dream-filled head of yours. For if you scatter your quatrains to the four corners of the living-room, don't feign surprise when you're hauled onto the carpet—Persian or otherwise—and faced with a wife waxing anything but lyrical. The gist of her few-thousand-word sermon being: "The proper place for books is a bookcase." Who can deny it?

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amusing glimpses of the things that struck him as a child. There was, for instance, the "nasty surprise" that he had had one day in the garden when he crushed the bright berries of a castor-oil shrub, not realising what they were, and "recognised upon the air the smell of the oil that, at that happy age, was the only real shadow on my life."

The two stories, one complete in itself, the other the opening chapter of an unfinished novel, although not as distinguished as the memoir, make one hope that some more of this strange, withdrawn Sicilian aristocrat's manuscripts may yet be discovered at the back of some desk.

Distorted Record

Roman Women

By J. P. V. D. Balsdon.

The Bodley Head. 351 pages. 30s.

MR BALSODN says that there is no work of deep scholarship in any language on this obviously attractive subject, and no work of any kind—including books of *haute vulgarisation*, such as this—which covers so wide a range. This last is perhaps not so surprising, since Mr Balsdon has really given us two books in one. The first is an account of the part played by women in the history of Rome, from the foundation to the end of the Empire; and the second is a general description of women's life in the Roman world.

The main fact about Roman women is that they were never negligible. Their social functions changed enormously over the history of Rome, but they never seriously overlapped with those of men—there was no feminist movement, and no one suggested that they should have the vote. But they were not kept in purdah; they were trained to be strong-minded; no one after Cato suggested that they could be kept in subjection. Therefore they make a real subject for Mr Balsdon. His trouble lies—as he emphasised—in the distorted nature of his evidence. There were never many women authors in Rome with fragmentary and negligible exceptions, no literary evidence survives except from the pen of males; and those who had most to say about women—Ovid, Martial, Tacitus and Juvenal—were little better than caricaturists; but Tacitus and Juvenal at least were writers of such brilliance that at critical points Mr Balsdon, quite rightly, can do no better than hand the theme over to them, and then correct the record as best he can.

The book, within its inevitable limits, is a success. The historical section is necessarily bitty, and at its best when Tacitus has command. It is a series of stories of historically important, therefore untypical, women. The descriptive part is interesting and informative, but leaves one astonished to see how little we know of the ordinary Roman woman.

German Wines and Vines

By Alfred Langenbach.

Vista Books. 190 pages. 30s.

BOOKS about wine, leaving aside technical treatises, tend to be of three kinds; the bibulous-poetic, the thinly-disguised advertisement, and the book about wine. Mr Langenbach's book belongs to this third, useful category. An elder of the trade, he has put his business on one side to set down the kind of facts and judgment on German wines that the young men now coming into the trade need to know, so that they do not, in their desire to be helpful, tell the customer a lot of nonsense, or get laughed at by the grower and come home with the wrong stuff.

German wine is not a big industry but it is an exceedingly complex study, perhaps the most complex of all. Whether it will remain, in area or production, even as big as it is looks doubtful. Only high quality can justify such high-cost production; but the quality, in this northern zone, fluctuates wildly from one pocket of land to the next and from one year to another, so that the output over a period of years is bound to contain a large quantity of commonplace stuff which, one would suppose, must sooner or later be driven out of commerce by bulk wine grown more easily in more southerly parts of the European common market. Germans of a certain age have a taste for their Riesling even when it is sour, and are not going to give it up for *aligoté*. But if the young prove less faithful and the market for the commonplace part of the output shrinks, can the industry keep going on its high-quality wine alone? Here the question becomes serious indeed, for among the best growths of the Rhine, Main, and Moselle are to be found (with the greatest respect to everybody else concerned) the finest white wines grown anywhere.

Mr Langenbach touches upon, but does not lose himself in, these dark economic problems. He offers a modest amount of geography, a good deal of history of the vine in Germany, enough simple botany to indicate the difference between one vine and another, and a good account of what happens in the vineyard and the cellar. Most useful to most readers will be his chapter explaining the nomenclature of German wines and his detailed survey, commune by commune, of the most important districts. Here the amount of detail is uneven. It is plain that Mr Langenbach is a Rheingau man. On the Moselle he is good, and one appreciates his tribute (rare in an English book) to Piesport, but the great communes below Bernkastel—Wehlen, Zeltingen, Erden and Uerzig—deserve more detail and more of an attempt at classification between one growth and another. His account of Franconia is sketchy and too short.

All the same, this is a good, handy book. People who buy wine can waste a lot of money or they can get a lot of pleasure.

Worry about Wine

THE ECONOMIST NOVEMBER 3, 1962

To buy poor German wine in England has not much point; you can get wine cheaper, and no poorer, from countries with more sun. But you can waste just as much money by snobbish buying; there is an automatic cult of special growth labels like Spätlese and Auslese, words that should be used with reticence, while Beerenauslese and so on, showpieces made in tiny quantities, are really best forgotten about.

Age is another pointless cult where German wine is concerned; the year matters, how long ago it was does not, provided it is not so long ago that the wine will be dead. The English worry too much about what food they are going to drink the stuff with; it is best drunk with itself, slowly, and without too many people about. These and other preconceptions, misconceptions, and irrelevancies mean money wasted and pleasure lost. Mr Langenbach provides in digestible form the basic data for an understanding of German wine.

OTHER AUTUMN BOOKS

HISTORY: CIVILISATION FROM ITS BEGINNINGS. Edited by Alan Bullock. *Macdonald.* 366 pages. 50s.

A good book in a good series, telling the tale again of civilised men in their successive communities, with the proper new-fashioned marriage of simple text and attractive pictures and a better than usual sense of historical and geographical perspective.

A CONCISE HISTORY OF PAINTING FROM GIOTTO TO CEZANNE. By Michael Levey. *The World of Art. Thames & Hudson.* 324 pages. 35s.

Without introduction, theories or frills, the assistant keeper at London's National Gallery begins: "Giotto's contemporaries would have agreed that a history of painting should begin with him." Informative but informal, this excellent text is primarily about the paintings illustrated, and the reader is given the benefit of a considerable knowledge of them. The faithfulness of the colour in the 549 plates unfortunately leaves much to be desired. But look at the price: the book is still good value.

THE GOTHIC REVIVAL. By Kenneth Clark. *John Murray.* 248 pages. 25s.

The first edition of this enjoyable evaluation of taste in England during the century and a half from 1720 to 1870 was published in 1928. It is now available again, with the addition of some footnotes, in its third edition.

LAROUSSE ENCYCLOPEDIA OF PREHISTORIC AND ANCIENT ART. General Editor: René Huyghe. *Paul Hamlyn.* 414 pages. 63s.

This is the first volume on art in the Larousse series and is a reference book on the world's art up to the achievements of Greece and Rome. Among the twenty-five contributors, Professor Christopher Hawkes has written a chapter on the rise of artistic creation in Europe. The book is amply illustrated.

OUTRIDER. Poems by Randolph Stow with paintings by Sidney Nolan. *Macdonald.* 56 pages. 25s.

A gift book of Australian poems, seven of which are illustrated in colour by Sidney Nolan's haunting pictures of the Australian landscape.

THE ECONOMIST NOVEMBER 3, 1962



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THE BUSINESS WORLD

Nineteen Sixty Seven

THIS week's issue of *The Economist* attempts to assess, in no fewer than three separate places, the significance of the "programme of action" proposed by the European Economic Community's Commission in Brussels for consideration by the Council of Ministers. For reasons suggested by our common market correspondent in Brussels, the programme is surprisingly early and comprehensive—and it gathers up the proposition that economic programming by the Six ("planning" not yet being a received word) argues the existence of a degree of political integration that needs no further emphasis. There are embarrassments for a candidate for entry, as Britain is, in the discovery that extensions of the EEC rules and objectives are being pursued much more vigorously than are the immediate conditions for British entry under the existing rules—a leading article on page 435 looks at some of the implications for our negotiation. It is true that what the Brussels commission proposes will by no means be either promptly or automatically endorsed by the ministers of the still sovereign six governments; but the recommendations of such an international administrative élite (even though they rest considerably on the views of M. Robert Marjolin, who may soon be leaving Brussels for French politics) must be treated with the seriousness of, say, a British White Paper. It is imperative to know what is proposed, and to take some measure of the consequences, for the Six and indeed (one still very much hopes) for a Seven with Britain in.

One Money for the Six?

THE programme falls into two main parts—monetary policy, which would have wide international repercussions, and planning and fiscal measures to secure expansion, more exclusively the concern of the Six. On monetary policy, the commission's views are as conclusive as is their judgment about political integration. Monetary policy no longer exerts its former directive power over the economy, though it can be a factor in economic equilibrium as a brake against inflation. But the European common market, having achieved economic integration, will evidently call for fixed rates of exchange (within narrow tolerances) among all the member currencies; individual devaluation would wreck the community's worried efforts to secure an agricultural common market. And fixed exchange rates, properly fortified, provide the essentials of a monetary union, since one community currency is then as well esteemed as any other. True, says the commission, all six are members of the international monetary system, but

the "programme of action" prefers not to discuss the merits of this—"it is no exaggeration to say that it exhibits a certain fragility." It claims, indeed, that the emergence of a European reserve currency would contribute materially to international monetary co-operation and to the reform of the present system.

A monetary gap has long been apparent in the Treaty of Rome; a common commercial policy was more or less spelled out but never a common monetary policy. Britain entering the community would profoundly affect the factors in the European monetary equation, but the commission is convinced that its proposals thereby lose none of their significance and importance. It wants to get ahead fast with building up the authority of the monetary committee of the Six.

In summary form, the monetary policy proposals are these:

- (i) Common market central bankers should meet, for the specific monetary purposes of the community and for the discussion of general monetary problems viewed from the angle of the Six, in a council of central bank governors of the Six. The meetings of the Bank for International Settlements in the past have been most advantageous, but now it is a question of a monetary policy for the Six.
- (ii) This would embrace advance discussion of all important monetary decisions affecting monetary creation, interest rates, minimum reserves, advances by central banks to governments and modifications of exchange rates ("which one cannot exclude completely during the transition period"). All this, the commission admits, would be most delicate, but not, it thinks, impossible to keep secure.
- (iii) The building up of a system of prior consultation by the middle of next year could develop into a system of recommendation, telling member countries what they ought to decide to do—as the monetary committee of the Six in some sense now does.
- (iv) In external monetary policy, the commission adopts the view of the monetary committee, that before a member country seeks assistance from the International Monetary Fund, there should be consultation within the European community. In general, the commission thinks that a common attitude should be defined in all important decisions, involving members of the Six or outsiders, that come before the international institutions. It also argues for the harmonising of policy by central banks responsible for reserve currencies.
- (v) An inter-governmental agreement should lay down the mutual aid that each member country would be ready to provide, with escape arrangements for any committed member which itself ran into difficulty. These credits should represent a given proportion of gold and currency reserves held by the central bank in each community country, with due regard for the requirements of each member country for international liquidity.
- (vi) As these objectives are progressively secured, such capital

movements as are now prohibited or limited should be freed.

None of this, the commission avers, is inimical to the right of member governments and central banks to choose (after the appropriate consultations) the policies that best serve their own national interest. But these new arrangements and procedures will take matters beyond the stage of co-ordination and into centralised direction of decision. In short, what is here proposed is the creation of a monetary union by the Six—at the remarkably early third stage of the common market's development. It conceives that ministers of finance of the Six, joined in council, would decide on their own budgets and their financing, together with the community budget. And the central bank governors could become the central organ of a federal central bank system serving the Six.

Here one has in outline the biggest monetary venture since the creation of America's Federal Reserve system. One can have plenty of reservations about the (still academic) proposals—the inward-looking character of the exercise; the failure to spell out the potential relations of a third reserve currency with the other two; the possibilities of abounding argument between the central bankers (who are well equipped to fight their own governments on occasion) and the commission, which tends to regard them as another species of high-ranking public servant whose purpose can be bent to serve community interests. But there is also a great deal to support—a new pooling of reserves, even if a localised one; a new opportunity for making monetary policy serve economic ends as a workhorse *in esse*, not as a longstop *in posse*. Certainly, it will not come to pass just as the commission has laid it down, any more than Mr Maudling's Washington initiative in the wider monetary field is likely to be accepted in its present outline. Sometime, somewhere, the two ought to be introduced and get on speaking terms. There is a lot to talk about.

What, No Planning?

INSIDE Europe, the commission plumps for centrally co-ordinated planning of the economies, until such time as these cease to be plural and become one economy. And it sees this central co-ordination—which it calls “programmation” because some of its member governments bridle at the term “planning”—as its own job. What it has in mind, though developing from studies and consultation already started, goes well beyond anything specifically envisaged in the Treaty of Rome. But this, like the common monetary policy, the commission justifies as fulfilling the spirit of the treaty—“progress from the opening of markets to the fusion of public responsibilities in economic matters within the Community.”

It divides these economic responsibilities between policies concerned with economic development, both short and long-term, and those concerned with the structure of the economy. This, the commission admits, is not a perfectly logical division—but more useful in action, it thinks, than the usual division between short- and long-term planning.

Brussels has already begun upon policy for the short- and long-term development of the European economies. It produces annual economic forecasts; carries out regular *konjunktur* (i.e. FBI-style) surveys on the same basis for five of the six countries; has made some specific recommendations to certain governments and some general recommendations to all six

about policies to avert a recession; and is studying the techniques of economic management used in the different economic ministries. In particular, it has also this autumn begun to receive from the governments draft “economic budgets” (in uniform national accounting terms) for the coming year, and is planning the “confrontation” of these.

Where does the commission go from here? First, it says, it will push all of the above somewhat farther: in particular, making its *konjunktur* surveys more detailed on industrialists' investment intentions and consumers' expectations of demand, and “perfecting its draft economic budgets to the point where one can talk of a single economic budget for the whole Community.” It is also planning to complement the memorandum that it recently sent to governments about anti-recession policy with one on the avoidance of excessive “tensions” on the labour market during period of rapid growth.

But going beyond what it has already begun, the Commission proposes to

- reinforce the anti-cyclical weapons at the disposal of governments;
- reinforce “global” forecasts with forecasts for major sectors of the economy;
- improve co-ordination of policy between authorities who affect the economy—national, regional, and local; and
- reduce delays in preparing, approving, and carrying through measures of short-term economic policy.

These intentions, here and there, go deep into what member governments might consider their national business. The objective is to go deeper, towards a Community economic policy where national policies mainly affect the draft economic budgets, and where each autumn consultation between the commission and the members' economic ministries on the content and the potential effects of these budgets throws up any “corrections that it may be advisable to apply to them.” This co-ordination of short-term economic management would eventually be supplemented by a similar procedure regarding national budgets of public revenue and expenditure (i.e. the traditional half of an annual budget as we have it in Britain). This would enable the commission “to penetrate deeper into the play of economic mechanisms and eventually to act on them more effectively.”

SO much for day-to-day running of the economies, or later, the one economy. But it is for the longer term that the commission really takes to “programmation.” Before mid-1963, it will put to the EEC Council of Ministers detailed proposals for this. Broadly, it envisages

- putting national forecasts together into a long-term perspective (on the lines that one committee under M. Pierre Uri has already followed in forecasts for the community up to 1970);
- “confronting” (EEC's favourite activity) the plans and long-term forecasts of member states;
- preparing the “technical and political bases of a consolidated policy.”

The first consolidated long-term programme would be for 1964-68, or any other period that member states and others that may be in by then may decide. It would be concerned with

- the desirable and possible course of economic activity, in terms of growth of national product;
- long-term projections of state and other public revenues (“only indicative, and not trenching upon the sovereign power of

- parliaments to vote credits and impose taxes each year . . .)
- forecasts of development of national and community “domestic product” by the main sectors (leaving more detailed breakdowns till later);
- tentative forecasting of the manpower balance as between major sectors of the economies;
- forecasts of the supply of finance available for private investment (within which the pattern is expected to shift in coming years); and
- forecasts of the external balance of trade of the Community as a whole with the outside world, globally and by regions.

The commission also wants to discuss with governments ideas on incomes policy, and to link this with a study of prices in parts of the economy where perfect competition does not obtain, or a few big companies have “dominant positions.” It would expect to discuss all this “programmation” with the vested interests concerned, and in the European Parliament.

By “structural policy” the commission means what in Britain would be generally described as development area policy. It wants to set up three working parties; one to study the acceleration of development in backward, peripheral regions; a second to think of measures to restore “dynamism” to areas where industries are in decline; the third to study financial incentives to favour regional development, taking care that these do not conflict with EEC's policy towards competition. It is also proposing some specific case studies of particular areas affected by such structural problems; will take note of regional development needs in formulating its policies on agriculture, transport, and energy; and will prepare “manpower balances” for the major socio-economic regions of Europe to facilitate not too painful movement of resources.

Steely Gaze from France

Our Special Correspondent has taken a look at French Steel and makes some British comparisons

AT the moment the French steel industry is working at about 90 per cent of its annual capacity of 19 million metric tons. With surplus capacity for heavy plates, wire rods and flat products emerging throughout Europe, the days of high summer left for the French steel industry are numbered. In comparison with the British industry, working at 75-80 per cent of capacity, French steel is still earning a comfortable margin of profit. But while the latest phase of steel development in Britain is virtually complete, French steelmakers still face heavy further commitments in their fourth steel plan, which is designed to raise capacity to 24½ million metric tons by 1965. They are not sure they can find the capital to finance this; nor are they confident that once installed the capacity will be kept busy enough to service that capital.

The fourth steel plan was based on the assumption that a rise of 7 per cent in steel production would be needed to sustain a growth of 5½ per cent per annum in France's gross national product. But even the most optimistic of the planners recognised that not all of the 24½ million metric tons could be fully employed in 1965; steel expansion, anywhere, has to go up in steps. Home demand, the industry has

These are the outlines of what the commission has not described in any detail before. They are linked, in its programme of action, with the acceleration of the dismantling of the remaining restrictions on trade within the common market—all to be complete by 1967. The commission also lays emphasis upon the development of a common transport policy (already in train); of an energy policy (where it blandly repeats all the proposals that the ECSC council of ministers practically threw out a month ago); and above all of a policy towards competition (where in the field of mergers and dominant positions it explains its policy more than ever before, and shows a notable emphasis upon the scrutiny of administered prices).

All these details—work for a myriad of Eurocrats—follow from a conviction that progress towards an economic union is at the same time progress towards political union:

It is contrary to reality to consider that there is on the one side the “economic”—which can be brought into common within the framework of the Community—and on the other side the “political,” for which a similar task remains to be accomplished in essence through a “political union.”

There, impatiently, speaks Professor Hallstein—to Britain as well as to some of his present member governments. The commission's programme, deliberately, is presented at a time when

other states, too, who are seeking to participate in the common task or to attach themselves to it more or less organically, can legitimately ask to know more precisely what the realisation of the economic union prescribed by the Treaty means, and in what forms and over what timetable this must be done if the Treaty is to be correctly implemented according to its letter and its spirit.

So now we know.

calculated, may reach between 18 and 19 million metric tons in 1965 while some imports will be replaced by domestic production. At a press conference last week M. Jacques Ferry, the vice-president and delegate general of the French steel federation, spoke in terms of an output of steel of between 22 and 23½ million metric tons in 1965 (between 90 and 95 per cent of the planned capacity), but he has been known to speak of an output under “average trading conditions” of just over 21 million metric tons (85 per cent of capacity). Even that estimate could be optimistic. First, if all the investment plans within ECSC come to fruition, the Six should have something like 98 million metric tons of steel capacity by the end of 1965—between 5 and 10 million tons more than the generally expected level of demand. Secondly, this plan will raise the proportion of French capacity devoted to flat products, where the emerging surplus may be largest, from about 45 to 50 per cent. Thirdly, the plan envisages the net export of about 3 million metric tons of French steel in 1965 against 1¼ million tons in 1961. French steel prices were raised in August, but they are still below those in other ECSC countries, and the Lorraine producers hope to retain a competitive edge in their traditional export markets.

This may not be so easy if Britain joins the common market. One executive director of Sollac, the co-operative strip mill in Lorraine, put it that without Britain the emerging surplus might disappear by 1966 and with Britain by 1967. But even on such sanguine assumptions, someone in the French steel industry will feel the pinch in the next few years. The first will almost certainly be the older re-rolling mills; the second could easily be the most spectacular item in the fourth plan—the steelworks being built on the sand dunes of Dunkirk by Usinor. This is the Spencer works of France, with much the same ambitions and problems. By the middle of next year it will have a capacity of 1½ million metric tons, but the plating mill and the hot strip mill are being built to absorb far greater tonnages. (Usinor talks of 6½ million metric tons, eventually; Spencer has talked of 6-8 million long tons: both are eventual aspirations.) In the meantime, these heavily capitalised mills have to be run in and to gain a share of the European market for flat steel: it will take some time for either to be employed fully enough to produce an adequate return on their capital outlays (NF 150 milliard, as against £150 million). The Dunkirk works are built on a site shaped like a pistol. This pistol, which in a sense is aimed at Dagenham, may hang fire for some years.

THERE may have to be some postponements and deferments in the fourth plan, but it cannot, M. Ferry says, be “modified in substance.” The French steel industry is too heavily committed to this plan to pull back now, though it may already entertain less starry-eyed visions of expansion after 1965 than it once did. The rigidities of a plan that was much of its own making are beginning to box the industry in.

DEVELOPMENT FINANCE
(NF million)

	1957	1958	1959	1960	1961
Sources:—					
Profit retentions	700	700	940	1,290	1,030
Share issues	124	39	136	61	230
Long-term bonds	224	364	406	384	435
Government loans	74	107	103	84	214
Medium-term and bank loans	89	84	11	86	188
Total	1,215	1,294	1,596	1,905	2,997
Uses:—					
Fixed capital investment	840	945	1,010	1,255	1,950
Capital repayments	170	149	186	225	277
Auxiliary investments	45	50	60	75	90
Liquid resources	160	150	340	350	—220
Total	1,215	1,294	1,596	1,905	2,997

The basic problem is financial. Profit margins are not sufficient to generate enough finance to give the programme the internal support it needs. As a result, the total of fixed interest debt as a proportion of turnover has risen above the “safety limit” of 45 per cent; it amounted to 51 per cent at the end of 1961 and will probably be not less than 60 per cent by the end of this year. Moreover, the amounts lent by the state to the industry (at rates known to be below the market's) are dwindling. The industry has to rely more and more on direct loans from the capital market (which, though the interest rates are not swingeing, carry capital repayment clauses that impose an onerous burden on the industry). And the industry, with its traditions of family ownership, is unwilling to widen its narrow equity base much further—even if the stock market (where the yield on Usinor is as low as 1.9 per cent) were prepared to take up the risk.

On prices and costs there is as little room for manoeuvre as in capital finance. Having just secured an increase in

prices, the French steelmakers are naturally reluctant to press for another one; they would probably get a dusty answer from the French government if they did. And clearly the Lorraine exporting producers do not wish to lose the competitive advantage of about 7 per cent that the present level of prices gives them. On costs, the new plants are technically efficient, but they need a big throughput to carry the burden of fixed costs. *Faute de mieux*, the French steel industry is therefore concentrating its fire upon the price of coal. British steelmakers who complain about Dunkirk's access to cheap American coal, for example, do not all realise that these imports are controlled by quota and moreover brought in by a state importing agency, ATIC, which resells the imported coal to the steelmakers at domestic prices. The French, like the British, envy the Italian steel industry, which gets imported coal as cheap as it can buy it. French steelmakers argue that a low tariff on coal imports (one or two per cent) would be preferable to the present system—particularly if the National Coal Board became an active exporter after Britain joined the common market. Cheap American or British coal might, for example, make all the difference to the tidewater works at Dunkirk. But these pleas are unlikely to make much headway against the equally loud cries for protection from the French coal industry.

In these circumstances, it is not surprising that the minds of the French steelmasters are running in well-worn protectionist grooves. Given the “unsafe” burden of debt, they must at the very least preserve their current profit margins. To protect these they must safeguard current prices and projected levels of domestic consumption and exports from outside interlopers. Their immediate concern is with British exports, but they are also keeping a wary eye on Austria and even Japan. The burden of their complaint is that while the British market enjoys the protection of tariffs averaging between 10 and 14 per cent, the external tariff of the common market averages between 6 and 8 per cent, so that they cannot make retaliatory raids on the British market. They admit that the tonnages of plate, sheet and tinplate sold by British concerns (where, they say, the merchants are simply aliases for the steel companies) are only marginal, but they argue that these sales are already threatening the current level of prices within the ECSC.

Their first concern with Britain's application for entry into the common market is therefore equality of tariffs within the shortest possible time: any suggestion from the British side that the transitional period should be as long as two or three years is likely to receive a cold welcome. Their second has to be inferred from the recent statement by the president of the French steel federation, M. René Damien:

Speaking generally, other countries will without doubt follow Great Britain in requesting membership. It will be proper to consider these requests with care. It would be wrong that new members should increase the imbalance within the common market between production and consumption capacity.

One way of interpreting this, perhaps the only way, is to assume that the French steel industry would not welcome a form of association with the other countries of EFTA which brought, say, Austrian steel within the common external tariff.

These objectives are precise enough, but behind them seems to lie a twilight zone of French aspirations which the phrases

of M. Jacques Ferry last week did nothing to illuminate. He will be talking to the British Iron and Steel Federation later in November and then the “confrontation,” to use one of his favourite words, may be harder and more precise than it was with the visiting band of British journalists. To them, he said that he viewed “with sympathy the expansion of the club,” but only if the British sat down at the same table “dressed as we are.”

This is one theme favouring British entry that crops up quite often in Paris conversation—that it might be better to have Britain in a situation where it would at least have to observe club rules. The French industry is already “concerned and sometimes irritated” about the “too pushing spirit” displayed by some British exporters; M. Ferry left the hint hanging in the air that unless Britain played the game according to the rule book of the ECSC (as interpreted by the French steel industry) she would not be welcome. He also

ENI minus Mattei

JUST how great or how sinister a man Enrico Mattei was will long remain the subject of passionate debate: put him in somewhere between Deterding and Krueger (who in the postwar world, remember, might never have needed, or been allowed, to fail). But it is difficult to think of any other man in world oil or in Italy, the areas where Mattei cast the longest shadow, whose abrupt subtraction from the scene might make as much difference to either.

Ente Nazionale Idrocarburi, the nationalised gas-and-oil complex whose initials Mattei wrote in a fine Italian hand across a wider map than Italy's, enjoyed under him several carefree years as a maverick, *épantant les bourgeois* of the world oil industry. But clouds of responsibility were visibly beginning to gather about it, even before the comprehensiveness of the (literally) “global” deal that Mattei was discussing with the Standard Oil Company of New Jersey began to leak out, after his death last weekend. Jersey was not the first of the major oil groups to seek, *sub rosa*, an accommodation with ENI. But it habitually carries a longer spoon than most; it is the most coldly realistic and least conservative of what Mattei called the “Seven Sisters” when seeking its ultimate advantage; and it was prepared to throw more into the bargain.

It would be fascinating but futile to speculate about the quid pro quo of that deal; whether even Mattei's lieutenants knew all of what was in the air with him seems uncertain. The prospect of a working agreement between Jersey and Mattei in a world oil market in which both, for different reasons, might have favoured more open price competition, might have suited other major companies more than the working arrangement he had with the Russians; but in other ways the prospect could have made their blood run cold. But fascinating or frightening, that deal was with Mattei: it was Mattei who breathed the fire from the ENI brand image. Would Jersey bother to offer the same deal to an ENI run by anyone else?

And who else is in the running? Businessman, bureaucrat, or politician? In Rome this week, the guessing was that while the Government decided who might pick up this

returned, more than once, to the need for “disciplined prices” and “disciplined markets” and to the theme that there were “limits in competition” which must not be exceeded. These are familiar concepts in many French industries. If all that M. Ferry meant by these phrases was that Britain should abide by the conditions imposed by the ECSC treaty on such matters as basing point pricing and the publication of transport charges, then there is little room for misgiving. If they meant, bluntly, a cartel, that would raise more misgivings among journalists than among British steelmakers; it is not only France that has established positions to defend. In fact, as other members of the common market have already found, the words probably mean something in between: something any Frenchman can define in that language of limpid purity from which only the meaning seems sometimes to have been distilled out, but which the crude foreigner can interpret as “Damn you, Jacques. . . .”

largest of hot potatoes, it would leave in Professor Marcello Boldrini, vice-president of ENI, as interim incumbent. From Italian business, one name mentioned as a possibility is Vincenzo Cazzaniga, chairman of Esso Standard Italiana, who was a personal friend though a business rival of Mattei. But the implication of a takeover by international oil might be hard to dispel from such an appointment; and it is difficult to think of many other Italian businessmen of remotely requisite calibre who would ideologically be prepared to step across into nationalised management. For a non-political appointment, the name of Professor Pietro Sette has been mooted. He is chairman of Breda Finanziaria and a member of the ENI board, and recently negotiated two 50-50 agreements between Breda and ENI; Professor Sette is said to have been Mattei's own choice for the succession, in one of those “Lenin's testaments” that are inevitably conjured out of the air at times like this.

Only one of the political names that have been mooted—that of Ferrari Aggradi, a former minister of state shares—seems more than an aspiration: he is perhaps the favourite candidate of any. This is not the only appointment of its kind to be made: ENEL, the new nationalised electricity concern, will need a boss too, and the two appointments will provide another issue for conflict between the Dorothean, moderate section of the Christian Democrats and the left. Mattei before his death, oddly enough, is said to have been putting his weight behind the moderate wing and against the Fanfani government. The elections next spring would have coincided with the time when his own appointment came to be renewed; and he was said to favour a much weaker, more centrist Christian Democrat government. Though himself a man of the left centre, he reckoned that a strong left-centre government, with an articulated planning programme, might automatically have limited his own freedom of initiative (sc. arbitrary power).

Mattei's death thus politically reduces the opposition to Fanfani and the group of planners associated with his “opening to the left” government, Moro, Riccardo Lombardi, and la Malfa. ENI had already clashed with la Malfa's planning

ambitions; now its future structure and disposition may be largely in his hands. If so, it seems unlikely that the wholesale break-up of the widely-diversified group some have prophesied (which indeed may have encouraged the appetites of the Milan Bourse on Monday as much as the *détente* over Cuba) will come to pass. La Malfa had already argued with Mattei that some of ENI's foreign ventures (for example, refining in Argentina) might be cut back in order to concentrate its investment at home and reduce Italian exports of capital. But these planners, the socialist Riccardo Lombardi in particular, have no wish to cut down ENI's political drive, its contacts with Russia (in spite of American diplomatic pressure), or its penetration of African markets; or to see it reduced at home to a gutless state enterprise like the old IRI. Some hiving off of certain extraneous economic (or uneconomic) interests that ENI acquired or sprouted during the Mattei era—for example, nuclear power and perhaps some of the group's engineering interests—might be logical too.

Whoever takes on the management of the gas and oil complex will inherit some problems, national and international. Gas output from the Po valley—which provided the original

profit base of ENI expansion—has passed its peak; nor have the fields found elsewhere in Italy sufficient reserves to support much further growth. ENI's contract with Russia, at a very cheap though not necessarily an uneconomic price for Russia, runs out in 1965, and though there is provision for renewal, a lesser man than Mattei might not politically be able to renew it. (Jersey would no doubt be ready to supply—but at the terms, comparable to those of the Russians, that Mattei would probably have been able to exact?). ENI's needs for crude oil are mounting; and on its own new production in the Persian Gulf it is committed to make do with a profit margin much smaller than its competitors there are presently left with.

The balance of advantage in the world oil market between bargaining for crude at arm's length, developing one's own, and entering complex arrangements for supplies with companies that compete with ENI elsewhere, is growing trickier. Mattei still seemed to relish it; by nature he could keep more balls in the air than most men. Not all men of calibre have the same zest, or are driven by such a daemon. His like, as the prototype of the nationalised boss with fire in his belly, we may see again; but not all in all.

BUSINESS NOTES

STOCK MARKETS

On the Rebound

STOCK markets throughout the world greeted the Russian promise to withdraw from Cuba with a burst of enthusiasm on Monday in which the advances in equity prices were almost as dramatic as the earlier falls. British, German and other Continental exchanges did not wait for Wall Street before marking prices up; indeed, only the Paris bourse remained quiet, but then it had the implications of the referendum to assess and it had been the least perturbed of all the stock markets in the earlier crisis. Given the sudden relaxation in tension, the recovery was predictable; but the gasp of relief, like that of a swimmer breaking surface, was violent, and it was not long before the markets were taking steadier and deeper breaths. In London jobbers admitted that Monday's rises were out of all proportion to the amount of stock changing hands. Markets soon sobered down and prices became little more than steady, and in a few instances turned down; on the German bourses, for example, the effect of profit taking was accentuated by doubts about steel dividends and in Zurich the optimism which characterised the sharp rise on Monday quickly faded.

In London the initial rise in gilt-edged prices was as strong as that in equities (where the rally in oil shares, which earlier had been knocked off balance by the crisis, was extended on Mr John Loudon's forecast of a net income of £200 million for the

Royal Dutch/Shell group this year). Both markets reacted a little on Tuesday, moved ahead again on Wednesday and became listless on Thursday. The day-to-day gyrations in gilt-edged prices have been particularly marked and this has served to emphasise the fact that the steady buying of the funds over the last few months has been accompanied by a good deal of short-term speculative activity. With *The Economist* indicator up to 330.2 (against 313.5 a week earlier) and the *Financial Times* index at 276.4 (against 263.7), equity prices are almost exactly where they stood before the Cuban crisis broke. The market, having suffered a political upset, is confronted with the same set of economic realities that has held equity prices in check for many months while its vulnerability to the political turns has been exposed for all to see. One crisis has passed. That is all.

Wall Street Looks at Yields

A correspondent cables:

WALL STREET took the expected dividend cut by US Steel in its stride and fresh buying sustained the advance in equities which began in the middle of last week at the first hint that the Cuban crisis might be resolved. In the week to Wednes-

day's close the Dow Jones average gained over 31 points to 590, or nearly 6 per cent, and brokers report that the interest in equities has not evaporated. The cut in US Steel's dividend was offset by the impressive earnings reported by General Motors, by the news of excellent automobile sales in October and by other indications that the economy is still far from a recession. Sentiment appears to be growing in the stock market that a downturn in business activity can be avoided and though selling for tax purposes may be heavy it may well take the form of switching into other securities rather than outright sales for cash.

Consideration of current and prospective earnings led to a smart advance in automobile and space issues and some of the electronic stocks were supported, largely however by professional traders. But, as hopes of tax cuts gained fresh currency, utilities, which are generally regarded as "peace" stocks, also improved. Figures for the third quarter show that most mutual funds did more selling than buying of stocks but other institutions are now interested by the attractive yields offered by many issues. Republic Steel, for instance, yields over 7 per cent on its reduced dividend while many other equities, with good past earnings records, are selling at less than 15 times current earnings and offering yields of 4½ per cent or more. These include the stocks of machinery and equipment makers, which have been in the doldrums since the fall in May and which appear to be discounting a decline in production next year. Wall Street hopes that the war scare is over and that the renewal of confidence may lead to higher prices over the next few weeks.

GOLD AND EXCHANGES

As You Were

THE gold and the foreign exchange markets were quick to regain their equilibrium on Monday after Mr Khrushchev's Sunday message had turned everything to sunshine. The price of gold in London fell by 2½ cents to \$35.15½ at the Monday morning fixing and eventually closed at \$35.13½—fractionally below the price on the Friday ten days before the blockade had been announced. The decline continued on Tuesday and gold closed at \$35.12 on Wednesday, some 8 cents below the Cuba week peak. Sales of gold in London on the Tuesday and Wednesday of that week are now estimated at an enormous \$50 million; so far very little has returned.

It is a characteristic of gold that although enormous quantities are bought at times of crisis, it tends to stick with the buyers long after the original reason for buying has passed—these are disappointed bulls, but perhaps with better reason for holding on than some of their kind. At the same time while there is no forward gold market in London, many continental banks will buy gold spot for a customer who wants delivery in three months' time, charging the customer a commission and the cost of financing the operation. Decisions about this gold will not be made until late-January.

The reaction of the foreign exchange markets on Monday was to put the previous week's movements into reverse; the US dollar and the D mark recovered and the Swiss franc weakened. These movements were short-lived, however, and by Wednesday the dollar was back down to 4.3160 against the Swiss franc after recovering to 4.3180, while the D mark fell from 4.0085 against the dollar to 4.0140. This pressure on the D mark was evident some weeks before the Cuban crisis, and is as much due to misgivings about Germany's economic future, despite reserves that still amount to well over \$6,000 million, as to fears about Berlin. On the reverse side of the coin sterling has sailed through the Cuban crisis without an apparent ill effect—which must have gratified both the Treasury and the Bank of England since an international crisis usually puts sterling under heavy pressure whether or not it is directly involved.

The remarkable thing about the whole crisis is how little these markets were actually affected. The price of gold rose but its advance was minimal compared with the \$40 an ounce reached in October, 1960. The reaction of the exchanges was far from wild and the movement of hot money was a bagatelle compared to the vast upheaval at the time of the revaluation of the D mark and guilder in March, 1961. The way in which the markets have weathered this particular storm says much for the measures of international financial co-operation that grew directly from these two earlier crises.

MONEY MARKET

Cuba's Bill Rate

THE collapse of the Cuban crisis has presented the money market with something of a problem. The reaction of the discount houses to the crisis was to argue that an early cut in Bank rate was most unlikely, and at the Treasury bill tender on Friday last week they pushed the bill rate up by a further ¼ per cent to 3½ per cent—restoring the rate to a level last touched at the beginning of August. At 3½ per cent the bill rate is now on a more reasonable footing with 4½ per cent Bank rate, and the market, with its money averaging 3½ per cent, is once more making a useful margin on its bills. The problem now, with something like international calm restored, is to make some guess at the future of Bank rate and then act accordingly. The commercial banks continue to show a healthy appetite for bills and the discount market, their sole supplier, cannot afford to lose too many bills to outside bidders in the weeks ahead. Needless to say the market is once again trying to talk itself into believing that a cut in Bank rate is not too far away.

The rates for Euro-dollar deposits in London have remained firm this week, with the seven-day rate at 3½ per cent and the three months rate at 4½ per cent. Although the end of the crisis has increased the amounts on offer, demand has been reinforced by a new Italian banking regulation which now allows Italian banks to borrow abroad for domestic purposes.

RAILWAYS

Fighting Hopes

THERE is nothing half-hearted about British Railways when it comes to market research: to find out where the potential freight traffic lies, it has approached all the bigger users of transport in the country. This survey, carried out by the railways' district offices, has shown that 90 million tons of goods which are physically suitable for carriage by rail are now being carried by road; and, as one might have guessed, most of this traffic is carried on the roads that parallel the busier railway lines. So the survey does not bring any hope of reprieve for those railways that were marked with ominously thin lines in the set of maps that British Railways distributed to show the course of present freight traffic. The lines that now carry most traffic will therefore carry any of the 90 million tons that the railways are able to win back from the roads—and they probably have enough spare capacity to do it.

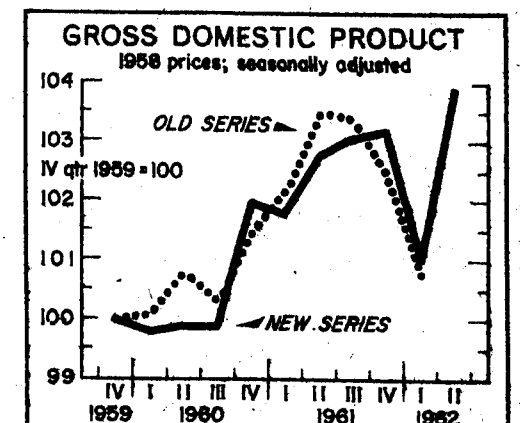
Dr Beeching has given some indication of the means that he proposes to use to persuade shippers that rail transport will suit them best. Goods trains made up of flat cars, carrying detachable containers, will run to a regular schedule between the big towns, so that goods can be delivered without shunting and at a predictable time.

The containers would be simply picked off the train and delivered to their destination on a railway lorry—or the customer's own lorry. Alternatively, trains could be operated for one company, painted in its livery as its lorries are now; or trains could be chartered to companies, as a ship might be. If half the 90 million tons could be won, Dr Beeching estimates it would add £100 million to the railways' revenue. By supplying the speed and some of the incidental attractions of road transport, the railways may give themselves some more attraction to shippers; but price remains to be considered, and if rates have to be published under the common market regulations, the railways can hardly gain an advantage over the road hauliers—these same draft regulations would make the use of company-owned lorries even more attractive than it is today. All these proposals for new types of goods train are literally futuristic: they depend on the construction of new rolling stock, the containers it is to carry, and the special lorries that will deliver them.

THE ECONOMY

Who Knows?

ACCORDING to the latest statistical findings of Great George Street, the British economy was going it quite fast in the spring of this year. The gross domestic product (at constant 1958 prices and seasonally adjusted) which had fallen by 2 per cent between the fourth quarter of 1961 and the first quarter of this year, "rose appreciably" in the second quarter. Reckoning from the expenditure side of the accounts, the rise is put at nearly 3 per cent, but it would be silly to stake much on this figure. The accompanying chart



shows the extent of the revisions in this series since its previous appearance in *Economic Trends*: the former expansion in the first half of 1960 has disappeared and so has any decline last year. Apart from the threat of revision, an income assessment suggests a smaller change in the gross domestic product between the two quarters: moreover, industrial production, which accounts for about half the total, rose only 2 per cent, according to the official index.

After correcting its seasonal adjustment

of spending on durable goods, following the lead given by the National Institute of Economic and Social Research, the Central Statistical Office reckons that total personal consumption rose by "more than 1 per cent" in the second quarter. This was despite the decline in retail trade, the extra spending being heavily concentrated on drink, cars and services. This was the largest quarterly increase in consumption since the end of 1959; the table shows, however, that in the two and a half years since then, the total increase is estimated at only just over 3 per cent, the same as the annual increase assumed in Ned's five-year plan.

	2nd qtr., 1962	4th qtr., 1959	Change from 4th qtr., 1959
	£ mn.*	£ mn.*	%
Consumers' expenditure ...	4,211	+135	+3.3
Public current expenditure ...	1,058	+111	+11.7
Gross fixed capital formation	1,108	+103	+10.2
Increase in stocks and work in progress	25	-75	...
Exports	1,358	+92	+7.3
Final expenditure	7,760	+366	+4.9
Less:—			
Imports	1,421	+130	+10.1
Adjustment to factor cost ...	770	+28	...
Gross domestic product ...	5,569	+208	+3.9

*At 1958 prices and seasonally adjusted.

The recent rise in consumption has been accompanied by an increase in borrowing from banks and on hire purchase. But the rise in personal disposable income seems to have accelerated in the second quarter of the year; in money terms, it was then 5.5 per cent above the first quarter of 1961 while spending was 6 per cent higher.

According to the figuring, total fixed investment, if it changed at all, rose slightly in the second quarter. Also the bottom point of the stock cycle seems to have been passed with the recorded figures showing a rise between the first and second quarter. But, because of the recovery in output, the level of stocks at the end of the second quarter is believed to have been lower in relation to the gross domestic product than in either of the two previous quarters.

NET BOOK AGREEMENT

Tradition in Triumph

THE Publishers Association had an irresistible moral weapon in their defence of the net book agreement in the Restrictive Practices Court: the cause of culture as opposed to crude commercial values. They won the case largely because nobody questioned effectively the relevance of this juxtaposition to the particular issue of price maintenance in the book trade. Giving judgement, Mr Justice Buckley said, "Inevitably we think the effects [of price freedom] would be most severe in the higher reaches of literature". He based his view on the acceptance of evidence—much of it necessarily speculative—that the exposure of stockholding booksellers to competition would create conditions of fear and uncertainty that would inevitably lead to smaller publishers' orders (particularly pre-

BUSINESS NOTES

publication orders) and reduced output, higher retail margins, and hence both higher prices and a smaller choice for the public.

Both sides were in agreement that the main effect of the publishers' joint undertaking to enforce their present individual right to maintain prices was to preserve stockholding retail bookshops from the possibility of price warfare. (Textbooks are not published with fixed prices, so educational booksellers would not be affected.) The Registrar's case was that booksellers have no unique claim to this type of protection, which does not in itself produce "specific and substantial benefits or advantages" to the public. The publishers' defence was to underline the exclusive power of a well-stocked bookshop to bring to the public's eye the huge variety of titles—which, because of their individuality, nearly all need to be seen to be bought—and to paint what certainly looked an alarming picture of the fate of "pedigree bookselling" in conditions of price freedom.

The lack of precise information of the most relevant kind—such as the proportion of turnover of the most broadly-based stockholding bookshops represented by the kind of books on which price-cutting might be expected—made it possible for the defence to lean heavily on a group of impressive and dedicated witnesses whose businesses, one suspects, were representative of only the top 10 per cent of the estimated 500 stockholding booksellers in the country. Cream of the cream by literary standards and often by efficiency as well, the character, service and trade of such shops could surely be expected to survive irrespective of price maintenance so long as there was a literary public to support them. With them would survive "the higher reaches of literature" so long as there were publishers who still preserved literary as well as commercial criteria—a balance which this business has always had to maintain and which would not vanish simply because of possible changes in selling and distribution patterns.

Need for Experiment

THE bookshops that might have been expected to disappear in the absence of the net book agreement might well nearly all have been those which even in present conditions are hanging on by the skin of their teeth and providing extremely ineffective outlets for publishers. There is however one serious threat to otherwise self-sufficient booksellers that price freedom could be expected to bring: the removal of such local library business as they handle through the ability of big library suppliers to compete in offering better terms than the 10 per cent discount at present fixed by agreement with the publishers.

Some good local bookshops depend on the library trade for a large proportion of turnover (19 per cent was an example given in court). No doubt, if booksellers chose, some of this business, at least, could be replaced through offering discounts to the public on sales above a certain value and

quantity. But it is probably right to regard the library trade as the most important single benefit of the net book agreement to booksellers. The judge in his summary did not think that the gain to the libraries of lower discounts on books would constitute greater "public advantage" than the status quo, since he regarded such a change as inseparable from a situation in which publishers were under constant pressure from both booksellers and library suppliers to increase trade margins, which would in turn contribute to higher prices being paid by both libraries and public.

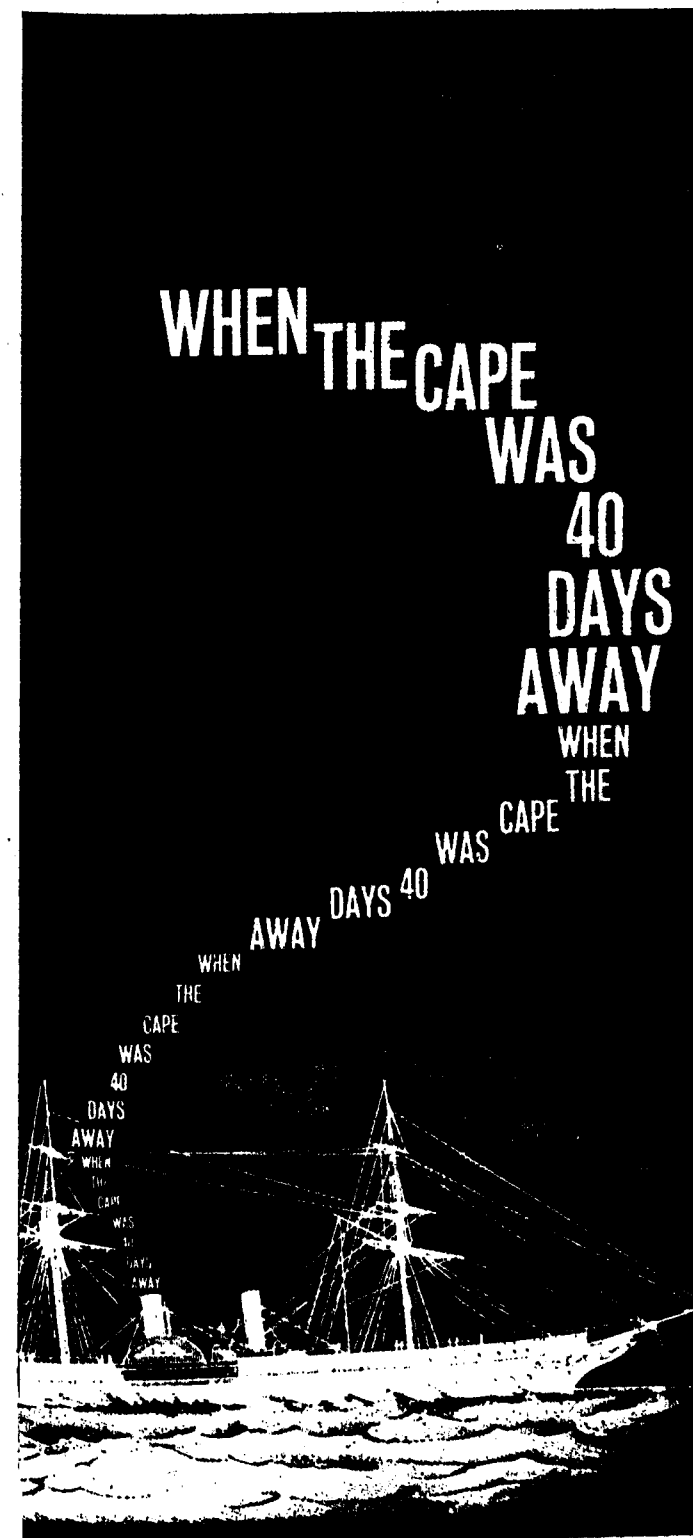
This argument ignores the fact that publishers are always under pressure to increase booksellers' margins, and indeed are doing so all the time. On the basis of evidence from Canada and the "apprehensions" of other witnesses, the Court also discounted the possibility that price competition would stimulate the sales of certain books sufficiently to keep down the general level of prices on all books. Fortunately, as Mr Justice Buckley pointed out, there is nothing in the net book agreement which in itself prevents publishers from finding new methods of selling books, or indeed obliges them to publish any book at a net price or keep one as a net book if they do not want to. Though traditional methods have been vindicated, for at least as long as resale price maintenance lasts, it is to be hoped that the book trade will not in future regard them as adequate.

MANMADE FIBRES

Plus ...

BRITISH NYLON SPINNERS announced last week that it is planning "very substantial" expansion of its production of nylon yarn and staple fibre. The company has given no indication of the amount of fibre involved, nor has it said how much it will cost. Even if it had, comparison with the company's fixed assets—currently valued at just over £40 million—would give no clue to the size of expansion, since it will mostly take the form of modifications to existing plant, and new machinery, mainly for ancillary processes, to match increased spinning output. A substantial expansion in capacity will be achieved without heavy investment. ICI, which supplies the nylon polymer, will build up new nylon capacity to match the increased capacity. Again, this is to be achieved by modifying and extending existing plant, mostly at Wilton, at a cost of several million pounds. The extensions are expected to be in operation by the end of 1964.

No mention is made of plans to spin Nylon 6. (At present BNS only spins Nylon 66, supplied by ICI.) Yet one of the features of the ICI/Courtaulds battle was the argument about which company had the better process for making caprolactam, the raw material for Nylon 6. Presumably the main market in Britain for the capro-



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120ft span transporter bridge

Mitchells Handle Materials FAST at Newcastle, South Africa

Mitchells associates, Mitchell Engineering (Proprietary) Ltd, Johannesburg, supplied and erected this 120ft span transporter bridge for African Metals Corporation Ltd, at Newcastle, Natal. This transporter—one of the largest of its kind in South Africa, is used to off-load and reclaim iron ore, dolomite and coke at a designed rate of 450 tons per hour. Total length of travel for the whole process is 900ft. Mitchells have installed mechanical handling plants in Australia, Canada, India, Pakistan, Nigeria, New Zealand, Belgium, Turkey and Greece. The group is also active in the fields of boiler design, cableways and ropeways, wagon handling, transporters and conveyors, cranes, mills, ship loading plant and nuclear power.

MITCHELL

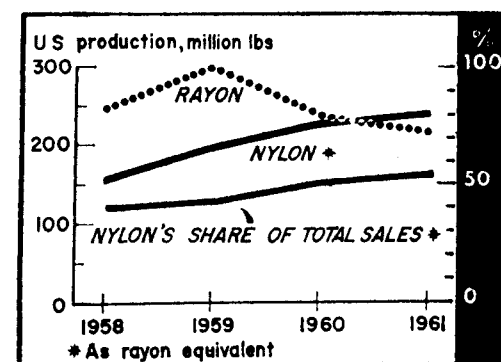
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lactam plants which both companies announced (and later postponed) would have been BNS. Perhaps it decided that it need not go to the expense of spinning Nylon 6, in spite of the wide acceptance of this fibre on the Continent. Its advantages over Nylon 66 are not obvious and in at least one field—tyre cords—Nylon 66 is thought to be superior. The increase in demand for nylon which BNS is expecting has partly arrived already: it has been rationing its customers since the beginning of the year. A bigger increase would follow if Britain joins the Common Market. Increased production is needed to provide yarn for existing textile end-uses, such as stockings and warp-knit fabrics, but even more for new uses. Here the three most important are knitted outer wear, which can be expected to benefit from increased sales of "casual" clothes; carpets, in which the use of blended yarns (nylon/wool or nylon/wool/rayon) has suddenly won acceptance; and tyre cord, sales of which are expected to be 50 per cent higher this year than last.

...ca Change

DU PONT, the American chemical giant, has announced its intention of giving up the manufacture of rayon, all of which it sells as tyre cord. Du Pont began manufacture of rayon tyre cord at Buffalo in 1920, and introduced new products and techniques, the result of its research, which led to the general use of rayon in tyres. Until it decided to switch over to nylon, Du Pont was the largest producer of rayon cord in America, and held 40 per cent of the market. In 1955 the Buffalo plant was closed; another was closed in 1961; and the present announcement marks the end of a process of orderly withdrawal to a stronger position. Du Pont makes 60 per cent of the nylon tyre cord sold in the USA.

Nylon has been sold vigorously, both by its producers and by tyre manufacturers, for which it has provided a selling-point. For technical reasons it is used in all aircraft and "off the road" earth-mover tyres; 40 per cent of American trucks are sold with nylon tyres; and 70 per cent of tyres bought as replacements for motor cars are nylon. But the largest market, as original equipment with new cars, has so far resisted all sales efforts. The chart below shows how nylon has gained in America at the expense of rayon.



Advantages are claimed by both sides and tests have shown the superiority of each. Probably nylon's main advantage is its greater heat stability, making it useful in high speed tyres. Its greatest disadvantage is "flat-spotting": a flat spot sets into the tyre when it cools standing with weight on it. It is thought to be this that has kept the nylon-reinforced tyre out of Detroit. Because of its greater strength, less nylon is used than rayon (in the proportion of 5:8) and although, weight-for-weight, nylon is far more expensive than rayon, tyres made with it are not much more expensive.

In Britain, the market is, as always, less developed than in America: nylon holds about 10 per cent, against more than half in the USA. Also, the pattern of sales is different. Most nylon car tyres are sold here as original equipment with high speed cars (about 5 per cent); most nylon truck tyres are sold as replacements; and, as in America, all aircraft and "off the road" tyres are nylon. Further advance is being held back by the limited supplies presently available from British Nylon Spinners; its new expansions are partly intended to deal with this. Du Pont is also planning to enter the European market; either with exports from the USA or with a nylon plant, probably in Holland or Northern Ireland. Courtauld's, which stands to lose most from a switch out of rayon in Britain, has hedged against it: it owns half of BNS and 80 per cent of Steel Cords, a company that makes metal reinforcement for tyres. Steel-cord tyres are more to be reckoned with in Europe than in the USA: a third of all the tyres in France are made with steel, and these tyres have about a fifth of the truck market in Britain.

AIR FARES

Settled

THE airlines have ended five weeks of bargaining about air fares and freight rates along the lines predicted in recent issues of *The Economist*. Return air fares go up five per cent, basic freight rates by between 13 and 14 per cent with rates for bulk consignments of above half a ton rising in some cases by nearly 20 per cent. There are sweeteners, designed to attract the marginal traveller and the marginal freight; for example, something approaching the special holiday fare concessions that have boosted European air traffic are beginning to spread round the world in an attempt to get holidaymakers out of charter aircraft and into the empty seats on scheduled services. In freight, special bulk discounts are to be given to special types of cargo. The unexpected last-minute agreement on cargo rates was, in fact, the surprise of the conference. Deadlock between those who wanted to cut bulk discounts for loads of more than half a ton because these were eating into ordinary freight traffic and

those who wanted to keep them to fill their all-freight aircraft, had reached a point where the airlines had resigned themselves to calling a second meeting to discuss cargo fares in the new year. The meeting did, however, break up without deciding "What To Do About Icelandic," the non-IATA airline merrily running cut-price piston-engined services across the North Atlantic to the fury of Pan American and the Scandinavian SAS. At the eleventh hour Pan American withdrew its request for a piston-engined price war to drive Icelandic off the air (or into IATA) leaving SAS alone on a limb from which it is expected to retreat as gratefully and graciously as it can during the 45-day period that IATA has allowed the airline to think out its next move.

PROFITS AND DIVIDENDS

One Month's Patchwork

IN October the accounts of 110 public companies showed a fall in trading profits of 3½ per cent. Higher depreciation and interest charges led to a fall of 8½ per cent in gross profits before tax and higher taxes produced a fall of 16 per cent in net equity earnings, which covered virtually unchanged dividends 1.7 times. As a whole, the companies earned less on the capital they employed. The decline in profits appears to contradict the evidence of earlier months that industrial earnings after a long period of decline had begun to turn the corner. But any analysis of a single month's profits is very much at the mercy of individual companies' results and these continue to be extraordinarily patchy. Electrical manufacturing companies, for example, accounted for nearly a

PROFITS AND RETURNS

111 Companies reporting in October	Previous year	Latest year
Net equity assets	244.2	262.6
Trading profit	57.7	55.8
Gross profit	36.3	32.3
Net equity earnings	17.3	14.5
Net ordinary dividends	8.6	8.3
Times covered	2.0	1.7
Gross profit/net assets	14.9	12.3
Net earnings/net assets	7.1	5.5

quarter of the profits collated in October and here the higher earnings of Decca and British Relay more than offset the fall in profits reported by British Electronics. Property companies (including Capital and Counties and Hallmark) and engineering concerns (including Fairey and Stothert and Pitt) also reported higher profits. But textile profits (including those of Tootal and Calico Printers) were lower and more surprisingly so were those of the building group (which in October included Pickford Holland and Phoenix Timber) and of the food group (which included Union International). Investors can draw no firm conclusions from such a patchwork, except the continuing need for caution and selectivity.

THE RUHR

No Money for Coal

Düsseldorf

ANXIETIES of German coalmining in the Ruhr have often been a point of debate in German political life. The Christian Democratic Union this summer fought the elections for the Diet of North Rhine Westphalia partly with a slogan: to rescue German coal and to rescue the jobs of German miners from the dread competition of the international flood of oil. So when, just before the elections, the miners demanded a wage increase of 6 to 8 per cent—a demand which had no justification whatever in the economic situation of German coalmining—they were in a disagreeable impasse. This impasse, however, was solved by a generous promise by the Federal Government and by the Government of North Rhine Westphalia to contribute DM 200 million to the costs of this wage increase in the form of a special contribution to the miners' insurance fund.

Now, four months later, it appears that this promise has not been honoured. After a rather prolonged tussle the Government of North Rhine Westphalia last week refused to bear its share of the burden. The argument that major settlements in the field of economic policy are the responsibility of the Federal Government and that a financial contribution of a Land Government would create a bad example is valid in itself. But did not the Land Government itself create this bad example by dragging the coal question into the election struggle and promising the miners their wage increase?

To make things worse, the press service of the Social Democrat Party was able, recently, to publish a letter which Herr Blank, Federal Minister of Labour, had written to Herr Burckhardt, Chairman of the Mine Owners' Federation at the end of June. This letter contained a clear promise to shoulder the wage increase in the form mentioned above. But, pending the dispute with Düsseldorf (seat of the North Rhine Westphalian Government), the Federal Government too, so far, has paid not a D-Mark. It is no wonder that the mine-owners are asking whether they have not been the dupes of Bonn, manoeuvred into shouldering a load that they cannot really carry unaided.

CURRENCY BOARDS

Keeping In Step

AS Africa grows to independence the currency boards of colonial days, automatically issuing and redeeming local currency on demand against sterling, no longer fit its needs. The East African Currency Board has been quick to meet these changing needs; by shedding the rigidity of the old style board it now provides the countries it serves—Aden, Kenya,

Tanganyika, Uganda, and Zanzibar—with the necessary rudiments of a central banking mechanism. The member countries continue to enjoy the advantage of a single currency, and the two independent states, Tanganyika and Uganda, have avoided the expensive business of setting up their own central banks.

Two years ago the board left London to settle in Nairobi, and representatives of the member countries, with the Bank of England as technical adviser on the side line, now make up the board. In its dealings with member countries the board treats each member as a shareholder according to the amount of currency it has in circulation. This formula applies to the sharing of the board's profits, to capital distributions, and also in the fixing of each government's share of the fiduciary issue. Until recently the board could hold only sterling securities; now it can hold local securities up to a total of £EA20 million. The board

acquires local securities either by direct subscription, by purchase in the market, or by the rediscount of Treasury bills. The board's rediscount rate for local treasury bills is ½ per cent above the local tender rate which in turn is always ¼ per cent below the London Treasury bill rate—the charge on the issue of local currency being ¼ per cent.

To ensure the adequate financing of export crops over peak harvest periods the board now lends for crop finance by the discount of commercial bills and by advances against security. The rates charged in both cases are at present 5½ per cent. The crop finance bill provides a useful addition to local money market securities, and to strengthen the local market the board insists on a larger margin for sterling securities when making advances than for local securities. Since May the board has been acting as a banker's bank by maintaining accounts for the commercial banks.

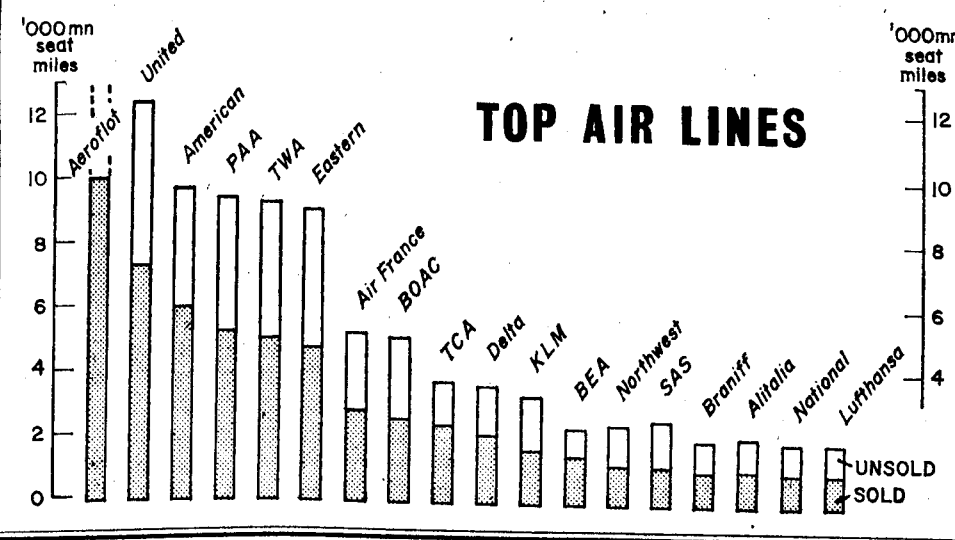
Aviation's Big League, 1961

FIGURES released in Moscow give for the first time some indication of how Iron Curtain airlines rank besides those of the West. Aeroflot emerges as unquestionably the biggest air carrier in the world, with nearly 50 per cent more traffic than the biggest of the American giants, United. Only the proposed Pan American-TWA merger could beat Aeroflot for size. The Russian figures do not give the capacity of the airline, as distinct from the proportion of seats that it managed to fill last year, but returns for its 93 members published by the International Air Transport Association do and an attempt has been made to show their ratio of full (shaded) to empty (white) seats on the chart.

On average, any airline that failed to sell at least 55 per cent of its seats was in for a bad time. In the big league, this included such giants as TWA, Eastern, Air France, BOAC, KLM, Northwest, the Scandinavian SAS (less than 50 per cent sold) Alitalia, National and Lufthansa—ten out of the 18 top names included in the

table. It does not automatically follow that airlines selling more of their capacity managed to make a profit; BEA, with passenger loads of more than 63 per cent did not and Swissair, which sold only 51 per cent, did not come too badly out of the year. Freight is now beginning to play an important part in deciding an airline's profitability and big jets need to carry a ton of freight on each flight to break even. But of IATA's 93 members, 21, including the national airlines of India, Austria, Belgium, the Scandinavian countries and the United Arab Republic, filled less than half their seat capacity—a record that is bad for them and bad for aviation.

Of the 3,319 aircraft and helicopters owned by IATA members, 572 were jet and 234 of these were built by Boeing; another 604 were turbo-prop, 299 of them Viscounts. But the DC3 remains the most widely used of them all, accounting for one-sixth of the IATA-owned fleet with 568 in service.



This has greatly reduced the physical movement of cash and the commercial banks can now keep less in their vaults. So far the board has been able to carry out its new tasks without being seriously hampered by existing regulations; but if it is to continue to develop its activities then it will need additional powers.

STEEL OF WALES

£25 Million Debenture Offer

THE Iron and Steel Holding and Realisation Agency is to sell the £25 million 5½ per cent second debenture of the Steel Company of Wales to the public next week. This will leave ISHRA's cupboard practically bare, apart from the ordinary shares of Richard Thomas and Baldwins; but their sale is precluded by industrial, as well as political, uncertainties. The Steel of Wales stock is a second debenture (£40 million of a 5½ per cent first debenture was included in ISHRA's massive sale of steel prior charges in March 1961) and it has an unusually wide spread of redemption dates from 1964 to 1987; an attractive yield was called for and this confronts ISHRA with a big capital loss on the operation. With the issue price at £88½ (spread over in three instalments with the last one not due until

Productivity (Sic)

DEFINITIONS of productivity are often highly misleading, as Mr M. Seaman, head of the Department of Industrial Engineering and Management at Loughborough College of Advanced Technology pointed out to the Institution of Production Engineers at their conference this week. To give 'a true understanding of the approach to modern negotiations and training,' Mr Seaman gave his definitions as follows:

1. 'Productivity is proportional to the level of Industrial Engineering and Applied Management multiplied by the capital power in production and services per operator of the population.'
2. 'Productivity acceleration is proportionate to investment in education and training and in research and development, multiplied by the level of industrial engineering and applied management multiplied by a capital power in production and service equipment per operator of the population.'
3. 'The maximum level of applied Industrial Engineering and Management is equal to the greatest product of technical and applied engineering management times the diversity of high level skills per head of the population.'

Mr Seaman and people like him want a national drive for 1,000 students to study this sort of thing.

BUSINESS NOTES

July 1963) the offer should be fully subscribed, for it offers a running yield of £6 9s. 9d. per cent and a gross redemption yield to 1987 of £6 15s. per cent. The proceeds of the offer will amount to £22,125,000, against ISHRA's book cost of £27,025,000. ISHRA's remaining interest in Steel of Wales is an £18 million loan repayable by the company by the end of 1964.

With the offer came the announcement of a good but not unexpected recovery in the profits of Steel of Wales in the six months to end-September. Before all charges these amounted to £11 million, compared with £7½ million in the first half of the year when they were badly hit by the bricklayers' strike. After depreciation of £9 million but before interest and tax charges, profits for the full year are expected to be about £9.5 million, compared with £14.9 million for 1960-61 which, in turn, was sharply below the £22.3 million of 1959-60. Though the new strip mills of Colvilles and Richard Thomas and Baldwins have intensified competition in sheet products it can reasonably be assumed that profits are now running at a higher annual rate for Steel of Wales, which, together with John Summers, stood to gain most from last February's price increases.

STOCK EXCHANGE

A Loose Federation

THE committee set up last March to consider the possibility of merging the various stock exchanges in this country has recommended that there should be a federation of the London, Associated and Provincial Exchanges under the control of an executive committee. This is one step forward in the fulfilment of proposals for a National Stock Exchange made by the chairman of the London Stock Exchange in March. It seems clear that in its deliberations the committee has found at least sufficient support for the idea of a National Stock Exchange to encourage it to suggest that some more formal grouping in which matters of common interest can be discussed should be established.

Among the important subjects that have to be thrashed out are members' qualifications, advertising, compensation funds and listing requirements. On all these the various exchanges have strong and sometimes conflicting views and it remains to be seen whether agreement can be reached. But the questions that are likely to prove the most difficult are dealings and commissions. In the provinces fears have been expressed that the main result of any complete merger would be more business for the London jobbers. While it is unlikely that dealings in local stocks would have to be channelled through London under any scheme for a National Stock Exchange the London Stock Exchange would probably dig in its heels about dealings between provincial exchanges in stocks in which the dealing price is effectively made in London.

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The federation may fail, in fact, to produce a complete merger, but it will be able to do useful work in establishing more uniform practices throughout the country.

SYNTHETIC RUBBER

Native Polybutadiene

THE plant that International Synthetic Rubber is building at Grangemouth will be the first to produce polybutadiene in Britain. This synthetic rubber is already being produced on a big scale in the United States, where there is capacity for about 120,000 tons, and in France and Italy. ISR has been importing it from Firestone's French plant for over a year, and other American-owned producers have been importing direct. The new plant, which will have the relatively modest capacity of 10,000 tons a year and cost £2 million, is intended to allow the company better to exploit the British market. The type of polybutadiene to be produced will be that developed by Firestone and sold under the trade name of Diene. Firestone claims that the molecular structure of its product gives greater resilience at low temperatures and allows a greater degree of oil-extension—that is, it can be diluted more with oil—and ISR's experience makes it back these claims.

Polybutadiene had been expected to find its main use in truck tyres, where its resemblance to natural rubber—especially its low heat build-up when flexed—would make it a suitable material. But unexpected technical problems have delayed its use here, and car tyres are now the biggest market. American and British companies still differ about its advantages for car tyres, however; where the former are adopting a mixture of polybutadiene and the old standard synthetic, styrene-butadiene rubber, for car treads—Goodyear and Firestone are already using it in their British-made car tyres—on the grounds that it gives longer tread life, British tyre makers still maintain that polybutadiene gives little advantage under normal conditions. They prefer to use high-hysteresis forms of SBR in the tread to give a better grip on wet roads. It also has an advantage on price; SBR now costs 21d. a lb. in Britain, while polybutadiene costs 24.85d. And while both prices may well fall, the margin may not widen much; according to Mr W. E. Cake of the United States Rubber Company, the price needed in America to give a 10 per cent return on capital is 23.8 cents a lb. for SBR and 26 cents for polybutadiene—though this is a rather smaller difference than British manufacturers would expect.

The small capacity of ISR's plant seems a recognition of the over-capacity for polybutadiene that is likely to appear in the world over the next year or two—so that a large part of British requirements will continue to be met by imports. Shell has already postponed its plan to make the competing synthetic, polyisoprene, at its Carrington plant, and will rely for supplies on

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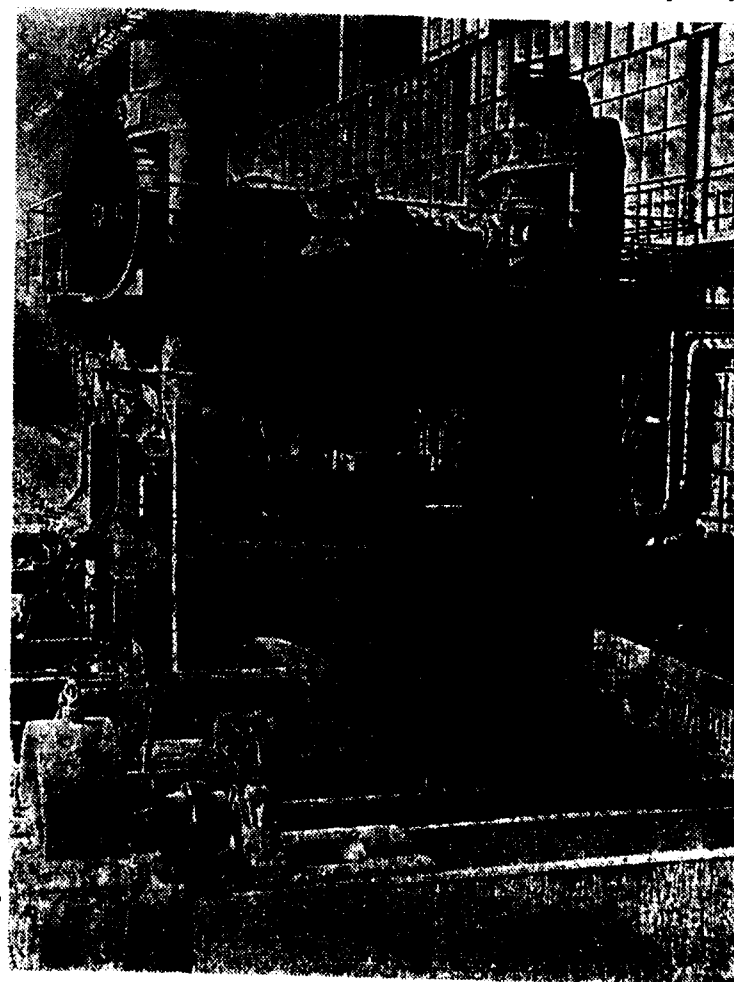
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its American plants and that about to start production at Pernis, in Holland. And though tyres will probably be the biggest users of ISR's polybutadiene, it will have other uses as a rubber. It will also replace SBR in a big non-rubber application, reinforcing polystyrene to produce the high-impact varieties of this plastic.

GRAMOPHONE RECORDS

Hits Missed

SUMMED up as a business in which manufacturers have been increasing the value of their sales at twice the percentage rate of their output, the gramophone record business might sound to be contentedly reduc-

ing its stocks. This appearance is deceptive; it is true that one major cause of this, the expansion of the long-playing market through "cheap editions," is welcome to manufacturers such as Decca and Philips who, in contrast to EMI, went early and strongly into this field. But the other side of the story, the unexpectedly steep slump in demand for 45 rpm "pop" records in the first half of this year, is still a serious cause of worry to the industry, even though the recovery which is already well in evidence may prove to be equally steep.

Up to the end of August the 20 per cent increase in production of long-playing records accounted for virtually all the growth in output compared with the same period of 1961, but the increase in new titles, including short-playing pops, was undiminished. This, as in book publishing, is

SPAIN

The importance of Being a Debtor

Madrid

THE ELMA (Argentine) shipbuilding tender, so much coveted by all big shipyards of the world before Spain took it from under their noses, is still hanging fire, at least in some aspects. It has been reported before that the German yards tendering were too expensive, that British yards failed because of the price in spite of favourable credit facilities, while Japanese shipbuilders were the cheapest, but not flexible enough in credit terms. Finally, in any case, the entire \$50 million order (\$42 million for 11 freighters and the rest for ancillary material) went to Spain, which had not put in the lowest bid (Japan was cheaper), but which offered the chance of a final liquidation of a 15-year-old wheat debt under the Franco-Peron Agreement of which some \$17 million was still outstanding. So in mid-August the contract was signed, allotting the construction of the 11 freighters to the Spanish Shipbuilders' Union group with the proviso that the financial problems of the payment would be thrashed out between the two Governments within sixty days.

The first indication that everything was not plain sailing was a Buenos Aires announcement that looked very much officially inspired and which listed all Argentina's claims with the utmost frankness. These claims included the liquidation of the Franco-Peron debt, as well as the much older "Chadoypf" claims (from the time when Count Guadalhorce had built the Buenos Aires Underground, some of the shares of which were in Spanish hands), the Chade-Segba arrangement, payment for Underground carriages ordered in Spain, and a change from bilateral to multilateral trade. In fact, all the issues pending between Madrid and Buenos Aires were listed as linked with the shipbuilding deal. Any global settlement of these would have proved a formidable task.

For such a task, two months would have proved extremely short, even if full use had been made of them. But for some undisclosed reason both sides allowed things to drag. Even the Argentine Embassy in Madrid seems to have been taken by surprise when the list of claims was published; but all insistence on the urgency of sending a Spanish mission to Buenos Aires or an Argentine mission coming to Spain proved useless. It was not before the first days of October that the Spanish shipbuilding group sent its secretary to Buenos Aires, just one week before the two-month period reserved for financial discussions was due to expire.

Slow motion on the Argentine side may not be surprising in a country beset with serious political problems. On the Spanish side it would seem that the government itself has been divided on the issue. The departments most interested in exports and industrial development were very much in favour of accepting Argentine suggestions (although not without some minor modifications) so as not to lose so big an order. Financial departments, however, wondered whether such an order—based on the liquidation of old debts which would force the Madrid Government to finance the deal to a very large extent without much attractive foreign exchange—would not prove a price-boosting and inflationary factor; and wondered about the wisdom of exchanging the comfortable long-term position of a debtor for the equally long-term, but much less comfortable, situation of a creditor.

On October 16th—deadline day—a high official of the Spanish Government left for Buenos Aires to ask for an extension of the two months' negotiation term. If Argentina agrees to it, this will probably open another period of stubborn haggling over a complicated financial arrangement.

the trade's main problem—sharpened by the feverish urge to make the utmost out of the notoriously faddy and unpredictable teenage market which it has created. Most pop records are over-produced from the start, since few are successful but any of them might be, and manufacturers and dealers would rather risk waste than be caught hopping. Recording fees, promotion and distribution costs, and stocks do not therefore diminish in proportion to sales or even to total output.

Nothing is likely to change the fluctuating nature of the demand for short-playing popular records, nor make much difference to the dependence of the industry on these for probably well over half its total sales. Nobody now expects great rewards from stereo, which has proved to have mainly specialist appeal—though it has added to stock problems. Lower-priced LPs, both popular and classical, have certainly helped to stabilise as well as expand the market as a whole; possibly 60 per cent of all 33 $\frac{1}{3}$ rpm records sold are now "cheap"—when compared with the retail price of 38s. (including 45 per cent purchase tax and 33 $\frac{1}{3}$ per cent retail margin), still regarded as standard for a full size LP. The comparison itself is still regarded by the industry as a means of boosting low-cost re-issues, and while content to take lower profit margins on these it remains defensive towards the too-numerous full-priced LPs on which large recording fees have been paid. Yet would the public object to a smaller choice if this was a means of bringing down the prices of all records?

FRANCE

Pulling Up Wages

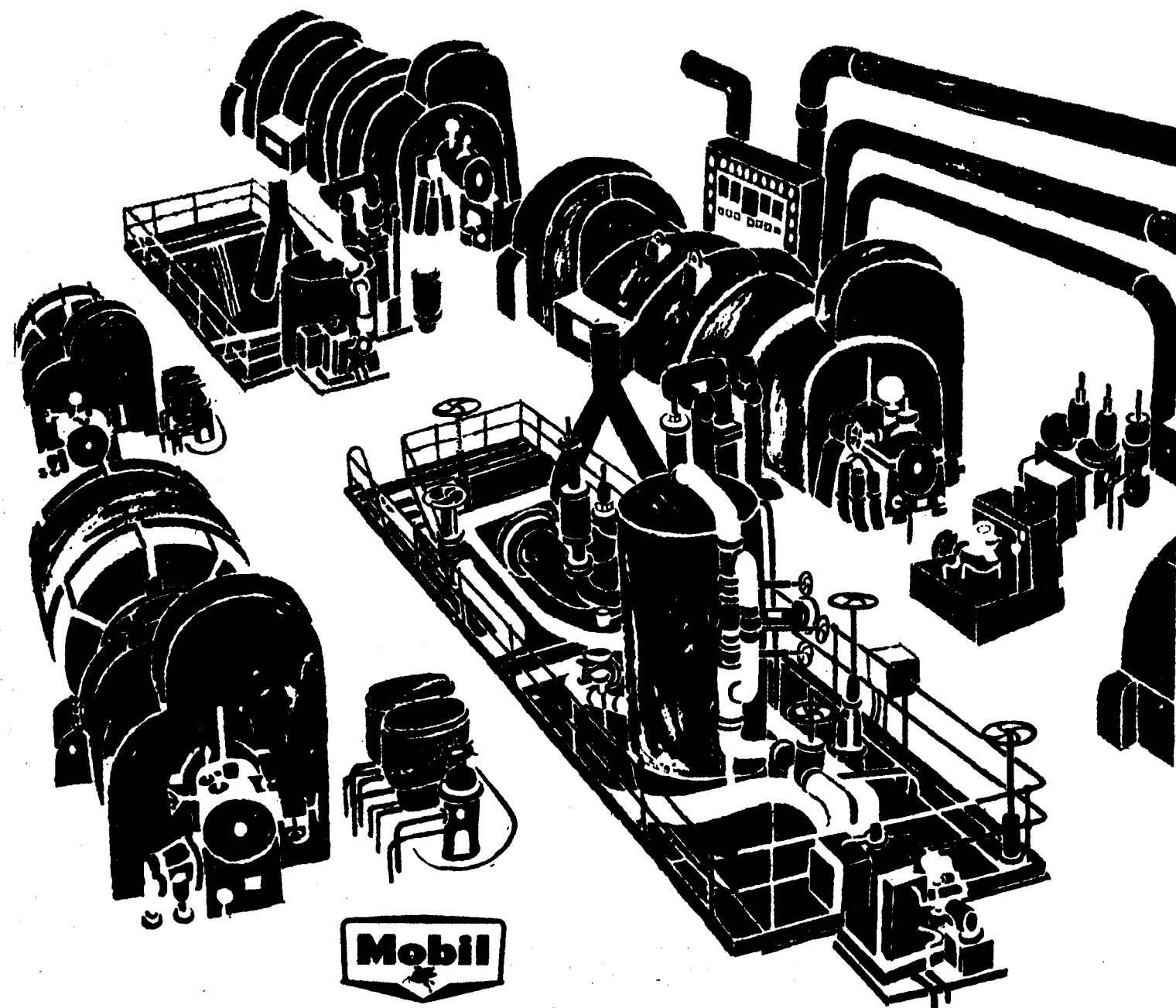
Paris

OVER the coming two months the French Government will introduce a series of social measures. The nearness of the legislative elections has clearly influenced events. On 1st November the minimum wage is to be raised by 4.5 per cent and, in Paris, will reach NF 1.80 an hour; as, at the same time, statutory deductions from wages in the provinces are being reduced, the minimum wage will, in most cases, be effectively raised by 5 per cent or more. This amount is exceptional; an increase of this size has only taken place once before, in January 1959, when it was intended to cushion the effect on the lower income groups of the devaluation of the franc. This time the French government is adding to the statutory increase of 1.7 per cent to compensate for the price rise this summer a further increase of about 3 per cent, as an anticipatory bonus on the expansion of the French economy (expected to be some 5.6 per cent in 1962). Never, until now, has the government conceded to the lower income groups such a right to share in the fruits of economic expansion. On 1st November, equally, family

Mobil Economy Service helps Richard Thomas and Baldwins

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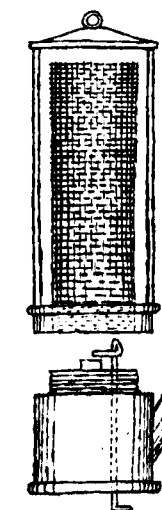


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SAFETY IN MINES

The Lamp Still Burns

WHATEVER technical progress may have been made in the coal mines in the last 150 years, the invention of Sir Humphrey Davy is still a part of the miner's daily life. Though he relies on a battery-powered electric lamp for light, it is still the old safety lamp with which the mine deputy



has a statutory obligation to check the presence of fire damp in a pit. So the improvement of the lamp for this duty is still a concern of the Safety in Mines Research Establishment; and in its report for 1961 the research laboratory describes modifications that it has been testing to make the lamp a more efficient means of discovering layers of gas near the roof of a mine. The lamp acts as a detector of methane because a "cap" forms on the flame when it is present, and an experienced miner can

judge the approximate concentration of gas present from the character of this "cap." But it is obviously impossible to draw air into a normal lamp from above it, so the top six inches of air space in a mine cannot be tested.

The modifications to the lamps are all designed to test this layer of air: either by drawing air from it directly into the lamp,

by arranging the air inlet at the top or fitting a "schnorkel" tube to draw air from above the lamp to the flame; or by using a rubber bulb to obtain a sample of gas from near the roof which can then be injected into the lamp—a technique suggested by Sir William Garforth in 1883. The world of modern science is beginning to catch up on detecting gas, however; the SMRE is developing an electrical gadget called a pellistor that can detect small quantities of gas. This consists of a heating coil embedded in a pellet; if the composition of the gas around the pellet changes, so does the temperature inside the pellet. This alters the resistance of the coil, which can be measured and indicates the changes in the composition of the gas. Pellistors are to be tested as gas-detector alarms on electrical machinery, but for the present, at least, the lamp will still be borne by the mine deputy.

PLASTICS

Toxic Boxes

MOST plastics are virtually inert, but some of the substances that are mixed into them to alter their properties are highly poisonous. This would only be a problem for those who make a habit of eating plastics if it were not that food can leach these chemicals out of them. To control this hazard several countries on the Continent have brought in legislation that severely, and in some cases perhaps unnecessarily, restricts the plastics industry. The second report of the toxicity sub-

Payments Sophistication

In their constant quest for refinements the Government's statisticians have for the first time placed the current account of the balance of payments on a seasonally adjusted basis. The intention is to assist in determining the underlying trend in the balance of payments by eliminating seasonal factors.

The figures suggest, comparing the last two columns of the table, that seasonal factors are favourable for the United Kingdom current account in the first half of the year and unfavourable in the second. The unadjusted figures indicate that the bulk of the improvement in Britain's current balance over the eighteen months to July 1962 occurred in the first half of 1962. The adjusted figures, however, suggest that the big improvement in fact occurred in the second half of 1961—the current balance rose by £97 million—and that the improvement in the first half of 1962 had lost some of its force with an increase of only £36 million. This half-yearly seasonal variation is mainly in invisible transactions, with the payment of the interest on the North American loans at the end of the year being the dominant factor. Seasonal influences on imports and exports in the first two quarters are about the same; both are seasonally high. In the third and fourth quarters the seasonal differences in trade cancel out; exports are seasonally low in the third quarter by some £25 million, but they pick this up in the Christmas quarter.

The statisticians issue a word of warning with these new figures. The seasonal adjustments are derived from series of payments figures that cover only a short run of years. They will improve as the series become longer, but at the moment these new figures should be interpreted with caution and treated as subsidiary to the unadjusted figures.

CURRENT ACCOUNT—SEASONALLY ADJUSTED (£ million)

	Imports fob	Exports fob	Visible balance	Invisible balance	Current balance	Un- adjusted current balance
1958						
1st qtr.	837	863	+ 26	+82	+108	+126
2nd qtr.	791	805	+ 14	+60	+ 74	+ 86
3rd qtr.	866	878	+ 12	+73	+ 85	+ 92
4th qtr.	863	846	- 17	+78	+ 61	+ 24
1959						
1st qtr.	864	827	- 37	+44	+ 7	+ 24
2nd qtr.	866	870	+ 4	+68	+ 72	+ 83
3rd qtr.	904	885	- 19	+67	+ 48	+ 24
4th qtr.	979	925	- 54	+38	- 16	- 20
1960						
1st qtr.	997	949	- 48	+14	- 34	- 40
2nd qtr.	1,015	923	- 92	+26	- 66	- 43
3rd qtr.	1,040	914	- 126	+16	- 110	- 130
4th qtr.	1,048	921	- 127	+36	- 91	- 88
1961						
1st qtr.	1,044	967	- 77	+19	- 58	- 44
2nd qtr.	1,004	964	- 40	+11	- 29	- 16
3rd qtr.	977	973	- 4	+16	+ 12	- 4
4th qtr.	981	959	- 22	+20	- 2	- 13
1962						
1st qtr.	985	960	- 25	+34	+ 9	+ 20
2nd qtr.	1,003	1,010	+ 7	+30	+ 37	+ 76

committee of the British Plastics Federation approaches this problem by seeking to establish standards of toxicity in plastics.

In this report, tests have been suggested which will measure the quantity of chemicals leached out by food; methods of analysis are given in detail. The toxicity of 214 chemicals commonly used in plastics manufacture is listed in "toxicity factors": from 1,000 for the least toxic to 2 for the most. The factors are intended for use with data on the amount of the chemical that might be extracted by food, to arrive at a "toxicity quotient," which must be below 10 if the plastic is to be used in

contact with foodstuffs. None of the most commonly-used plastics, such as polythene, are toxic; and those substances which are toxic are used in small proportions and, for the most part, are resistant enough to leaching to make them less dangerous than the factor alone suggests.

The system provides manufacturers with standards against which to compare their products. Another committee is considering the situation on the Continent, where the difference in standards between the countries, and the increase in trade between them, makes agreement to cover the whole of Europe an urgent matter.

FUEL DEMAND

Think of a (Big) Number

MAKING long-term forecasts about energy demand is less fashionable nowadays than it was some years ago. Only 28 of the 59 nations represented at the World Power Conference that began in Melbourne this week offered reports to the conference on the development of their own energy market and resources (covering perhaps half of world consumption); and of the 28 only 21 offered firm forecasts for the future.

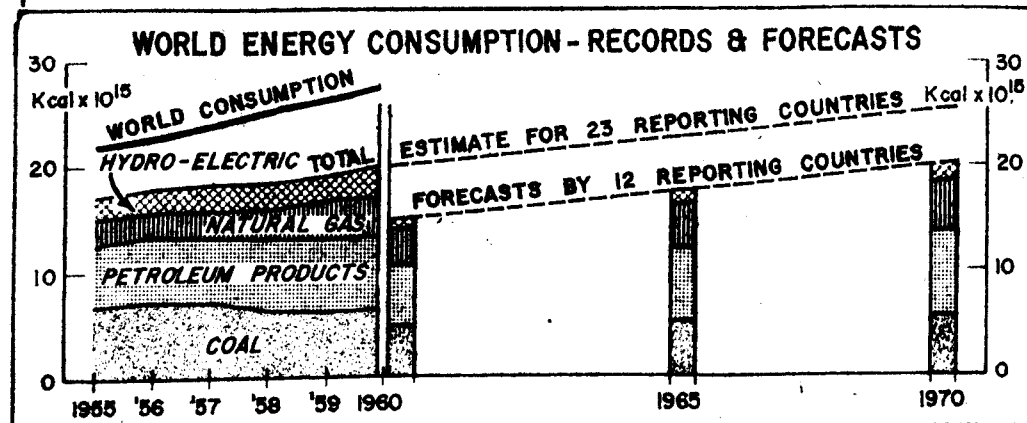
The attached chart, prepared by the general reporter to the conference on this subject, shows how the forecasts for 1965 and 1970 of some of these forward-looking countries' forecasts add up, and rates their figures up to cover the other countries that provided detailed figures of what had been happening. But the reporter did not deduce from this any forecasts for world consumption of energy. Experience over the last decade has shown that the countries that do not go in for elaborate energy balances and forecasts—many of them underdeveloped—have been those in which demand has grown fastest.

Between 1955 and 1960, it appears, there was an annual growth of about 5 per cent in world energy consumption, but of only about 3 per cent in the 28 countries reporting on this at Melbourne; consumption among the rest grew much faster. Now they are forecasting a 3 per cent rate

to continue during the period 1960-70; although some of these countries use most refined methods of energy forecasting, the aggregate result, in 1962 as in 1960, comes out not much different from straight extrapolation.

The World Power Conference expresses its estimates of energy consumption in calories; this is a logical shift from the old "coal equivalent" tonnage, but means mighty big figures. The figuring has to be in thousands of kilocalories $\times 10^{12}$, or if one prefers it, kilocalories $\times 10^{14}$. Energy statisticians are sorely in need of some new names for big numbers.

Between 1955 and 1960, on this reporting, there was a big shift in the pattern of different fuels used commercially; coal's share fell from nearly 40 per cent to under 30 per cent, while that of oil and natural gas rose significantly. But from 1960 to 1970 the forecasters are expecting less change; they show coal's share dropping from about 28 to about 26 per cent, oil's remaining stable at just over 40 per cent, and natural gas rising only from nearly 23 to nearly 24 per cent. This sample of forecasting countries—the ones who gave figures for both 1965 and 1970—is a small and probably biased one. But their figuring does raise the question whether the 1955-1960 switch was a once-for-all one—and now largely completed?



SHORTER NOTE

The Minister of Aviation has ordered an investigation into the financial affairs of the British Overseas Airways Corporation to be carried out by a company of chartered accountants who will report back to the ministry. The corporation itself is already employing two teams of management consultants.

Guest Keen and Nettlefolds has made an offer worth £6 million for the shares of Acton Bolt, which is controlled by S. Pearson Industries. A full acceptance of the offer (and more than an 80 per cent acceptance is already assured) will involve the payment of £357,000 in cash and the issue of 1,666,000 shares which at the current price of 67s. 9d. are worth £5,640,000.

In sharply contrasting results from the furniture industry Harris Lebus made a net loss for the year to July 13th and passed its dividend while Phillips Furnishing Stores achieved an advance in trading profits from £216,000 to £352,000 in the year to June 30th and has declared a dividend of 5 per cent—its first payment since 1957-58.

Amoniaco Espanol, a newly-formed company owned by Esso and Spanish interests, is to build a nitrogen fertiliser plant at Malaga. The plant is scheduled for completion in 1964 and will be built by the M. W. Kellogg company of New York. It will produce a variety of nitrogenous fertilisers based on ammonia from a 110,000 tons-a-year plant. The ICI steam-reforming process will be used to provide synthesis gas for the ammonia plant.

Investors will have an opportunity next week to take a stake in a new growth industry, betting shops, with the placing of 300,000 2s. shares in Mark Lane (Turf Accountants) which has shops in Dagenham and other parts of south-east Essex. About 200,000 shares will be available in the market at 2s. 7½d. each, to yield 9½ per cent.

COMPANY AFFAIRS

Comments on pages 519 and 522 on:
Courtaulds Tube Investments
Fisons Pressed Steel
British Electronic Hawthorn Leslie
Simms Motor Birmid Industries

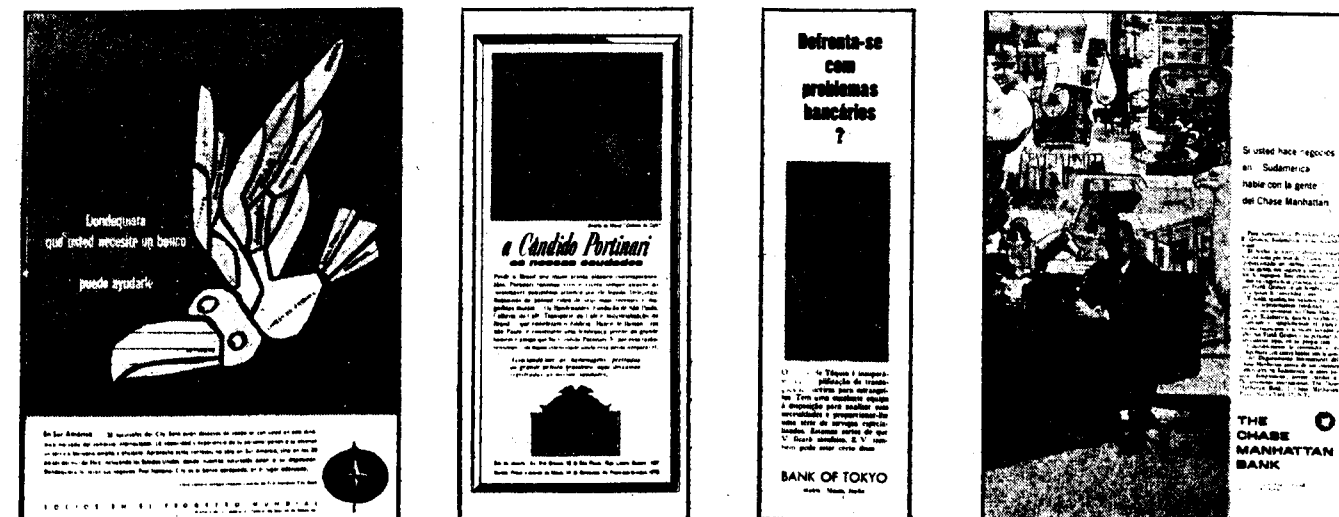
STOCK PRICES AND YIELDS

Stock prices, yields and security indices on pages 520 and 521

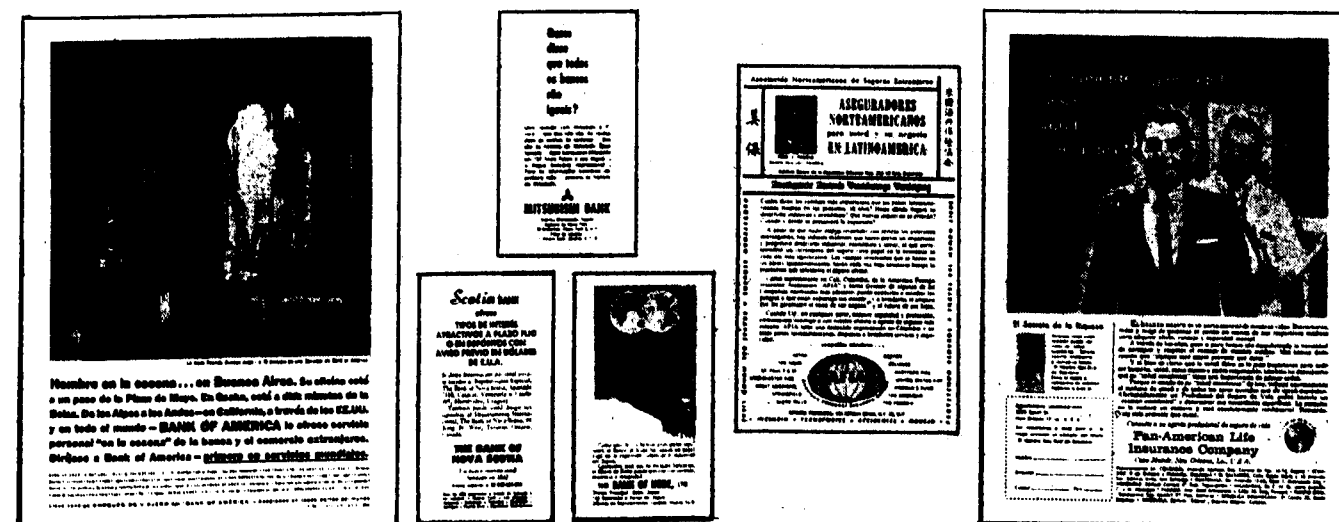
MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 523

More financial and insurance companies



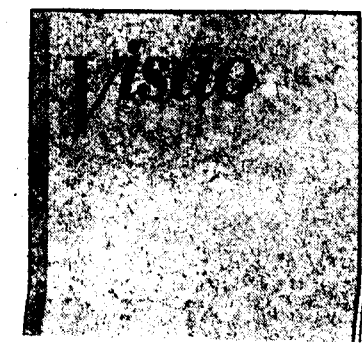
direct their advertising to Latin America



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A YEAR OF SUCCESS

SIR ISAAC WOLFSON, BART., Chairman and Managing Director

THE GREAT UNIVERSAL STORES LIMITED

in his Statement for the year ended 31st March, 1962, said:

FINANCIAL RESULTS FOR THE YEAR. The trading profit, with other income, is in excess of £30 million, and the profit of £27½ million before

taxation shows an increase of £1½ million, or nearly 6 per cent.

Without enlarging unduly on the problems which faced the business community in 1961/62, it will have been apparent that there was less buoyancy in the economy than previously. What amounted to two Budgets were considered necessary and these introduced fiscal changes which were intended to, and did, affect the level of public spending. It is therefore all the more satisfactory that our profits were not merely maintained but increased above the previous high levels.

DIVIDENDS, APPROPRIATION AND SCRIP ISSUE. We have decided to recommend a final dividend on the Ordinary and "A" Ordinary stock of 27½ per cent., less tax, for the year ended 31st March, 1962. This, with the 12½ per cent. already paid makes a total dividend of 40 per cent., less tax, for the year compared with 37½ per cent., less tax, declared for the previous year.

After this and the Preference Dividends nearly £8½ million is retained in the business. The Ordinary Dividend is therefore covered some 2.5 times by the net distributable revenue and some 2.1 times by the net profit for the year.

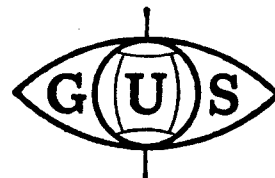
A scrip issue will be made by way of capitalisation of reserves of one new "A" Ordinary Share of 5-d. for every three Ordinary or "A" Ordinary Stock Units of 5-d. held.

EXECUTIVE AND STAFF. I take this opportunity of expressing my warmest thanks to all members of the Board, executive and staff for their loyalty and splendid efforts during the year.

CURRENT TRADING AND CONCLUSION. The first four months' trading is comparable with the previous year, and I am hopeful that the profits for this year will be as satisfactory as the year under review. Demand inflation is now over and we must do everything in our power to contain cost inflation, which would inevitably reduce profits standards.

No one would be foolish enough in this uncertain age to face the period ahead without some concern, but my confidence in the country and my hope for economic expansion with stability give me implicit faith in the future.

Comparative
Figures
1953-1962



THE GREAT UNIVERSAL STORES LIMITED

OPERATING 2,700 SHOPS AND DEPOTS THROUGHOUT THE UNITED KINGDOM AND OVERSEAS

Year ended 31st March.	Group Profit before Taxation.	Taxation.	Net Dividends paid to Stockholders of G.U.S. Ltd.	Cash Flow (Profit retained in Business plus Depreciation).	Group Net Assets.
1953 ...	10,198,721	6,746,550	792,615	3,210,628	25,649,539
1954 ...	14,273,393	9,197,490	1,408,646	4,192,062	33,420,756
1955 ...	17,491,253	9,634,158	2,927,438	5,981,728	50,433,226
1956 ...	18,429,784	10,377,993	3,438,170	6,133,592	56,987,120
1957 ...	19,734,019	11,207,282	3,620,915	6,594,614	66,549,234
1958 ...	20,685,340	12,034,818	3,950,579	6,761,576	75,531,767
1959 ...	21,705,494	11,326,755	4,506,935	7,366,593	81,650,092
1960 ...	24,272,995	12,312,456	5,445,887	9,131,365	98,252,685
1961 ...	26,066,113	13,913,448	5,665,224	9,767,855	106,592,324
1962 ...	27,589,426	15,092,872	6,023,113	10,575,095	116,243,857

REX TRUEFORM CLOTHING COMPANY

A VERY SATISFACTORY RESULT

The twenty-fifth annual general meeting of Rex Trueform Clothing Company Limited was held on October 31st at Salt River, Cape, Mr Bernard J. Shub (Chairman) presiding.

The following are extracts from his circulated statement:

The Group's trading profit for the financial year ended June 30, 1962, amounted to R540,811, which compares with R532,039 in 1961. This is again a very satisfactory result in view of the difficult trading conditions experienced during the year under review. The demand for the Group's products has continued to grow, and substantially higher sales in both the domestic and export markets have assisted in offsetting price increases in certain raw materials and partly absorbing the gradual rise in operational costs. We have furthermore, almost without exception, held our selling-price levels with the effect that such higher costs have not been passed on to our distributors and thus to the general public.

The Group's manufacturing units are working to capacity and at this stage orders for forward delivery indicate that this high level of production will continue. The financial requirements of the expanded volume of business necessitate a conservative dividend policy and the Directors have therefore recommended an unchanged dividend on the Ordinary and "A" Ordinary shares, namely 12½ per cent.

During the last few years there has undoubtedly been a pause in the rate of development of Commerce and Industry, nevertheless we share the confidence expressed by members of the Government as well as many industrialists and financiers that there is now scope and justification for an upsurge of economic activity.

CENTRALISATION OF OPERATIONS

The Company acquired an important site in Victoria Road, Salt River, which will enable it to extend its main factory building and thus to centralise and consolidate its manufacturing and administrative operations. This new building should be completed by the end of 1963, and the additional space will provide scope for meeting the demand for our internationally-known products, and will also enable us to render an even better service to customers everywhere.

The estimated total cost of the building extension programme is R460,000, and negotiations are under way to finance this project by means of a new issue of debentures, ranking *pari passu* with the existing debentures.

From the final accounts you will notice that an amount of R200,000 is transferred to General Reserve which now stands at R800,000. Also, an amount of R7,463 is transferred to the Plant, Vehicles & Equipment Replacement Reserve. In effect the entire Plant, Machinery, Vehicles, Fixtures and Fittings and Office Equipment, which cost R645,055, now stand in the accounts at R1.

The Company's development of the factory at Coatbridge, Scotland, is progressing satisfactorily, and there is a gradually growing acceptability in the United Kingdom for products bearing the Rex Trueform brand name. The Group's exports from the Republic have increased, and we are continuing to foster this development by all the means at our disposal.

The report and accounts were adopted.

HOSCOTE RUBBER ESTATES LIMITED

ISSUED CAPITAL £195,750 in 2s. SHARES

Directors

H. B. E. Hake, CBE (Chairman), T. H. Miller, G. M. Knocker, CBE, J. A. Clubb, MM, MSM

Secretaries and Agents
Harrisons & Crosfield, Limited

PROFIT & DIVIDEND: Year ended June 30, 1962.

The profit before tax was £95,571 compared with £98,526 for 1960/61. A dividend of 25 per cent is recommended (25 per cent including special bonus).

RUBBER CROPS & PRICES:

1961/62	3,605,300 lb.	21.24d. per lb. net.
1960/61	3,273,900 lb.	23.51d. per lb. net.

CURRENT FINANCIAL YEAR: Estimated crop is 4,109,000 lb. and programme provides for 172 acres replanting.

Annual General Meeting 12 noon Wednesday, November 28, 1962.

H. A. SAUNDERS LIMITED

(Car Distributors)

The twenty-seventh Annual General Meeting of H. A. Saunders Limited was held on October 30th in London. Mr G. W. Saunders (the chairman) presided and, in the course of his speech, said:

I am this year placed in a very difficult position. Firstly, I must report on a set of accounts which reflect a very good year's trading, during which profits have been made comparable to the preceding years, and more than adequate to give cover for the Ordinary Dividend. Secondly I have the less pleasant duty of advising Shareholders that the current unsettled business conditions have had an adverse effect on the retail motor trade. We have, however, not been

altogether unsuccessful in our efforts during the first half of the current year.

The Austin Motor Company are now producing an unexcelled range of vehicles both in the private and commercial field, and it is our deliberate policy to stock a comprehensive selection of these and other B.M.C. models at all our depots.

Referring to the company's 50 per cent shareholding in Bristol Tractors Limited, the chairman said that a wholly owned subsidiary, Bristol Saunders Sales Limited, had been formed to increase the sales of Bristol Tractors both in the United Kingdom and throughout the World. Another wholly owned subsidiary, Bristol Saunders S.A.R.L., had also been formed in France to promote particularly the sales of machines in the Common Market area. In the first five months' trading a small profit had been made. The report was adopted.

"Saunders for your Austin."

THE TAP & DIE CORPORATION LIMITED

Salient points from the Statement of the Chairman, Mr. D. G. N. Lloyd-Lowles, at the Annual General Meeting on 25th October, 1962.

★ The year ended on 31st May, 1962, marks a definite stage in the growth of the Corporation. We have broadened the base of our business by completing the acquisition of the machine tool division of Smart & Brown at Biggleswade. I believe this has been an exceptionally good buy and results since acquisition have much encouraged us.

★ Whilst turnover in taps and dies again showed an increase and our total sales were higher, demand from the home market was lower. Exports, however, took up much of the slack.

★ Profits showed an increase from £827,181 to £854,096, or over 3%. We are very much beginning to feel our strength as a single unit and I see no reason to doubt a prosperous future.

★ Current trading shows the same trends as last year, but, given any reasonable improvement in the general economic and political situation, we would expect to maintain our profits.

★ We recommend a final dividend of 12½%, as last year, with a virtually unchanged cover on the increased capital.

EAST ASIATIC RUBBER ESTATES

The thirty-ninth annual general meeting of East Asiatic Rubber Estates, Limited was held on October 25th in London, Mr H. T. Karsten (the chairman) presiding.

The following is an extract from his circulated statement:

Although the crop for the past year fell short

COMPANY MEETING REPORTS

of the 1960-61 output by less than 1 per cent, sale proceeds were reduced by over £103,000 or some 5d. per lb., i.e. about 20 per cent. Some reduction in production cost has been achieved, and this, together with the lower export duties and the lower taxation provision, has held the total decline in earnings to some £31,000.

A further 535 acres were replanted during the past year and including the 540 acres scheduled and partly replanted during the present year, the total replacement of old seedling rubber will by the end of this year amount to some

THE ECONOMIST NOVEMBER 3, 1962

64 per cent of the total planted area of our estates. For the present year our estimate is again some 4,610,000 lbs.

Commenting on the further decline in the price of natural rubber during the past year, the chairman said: this decline is, of course, mainly due to the increasing competition by the synthetic rubber industry. It is generally believed that values may drift still further, and though this possibility cannot be overlooked I am not too pessimistic as we are undoubtedly getting near the competitive level with synthetic rubber.

The report was adopted and a total dividend of 10 per cent approved.

SEAPORT (SELANGOR) RUBBER ESTATE RECORD CROP

The annual general meeting of Seaport (Selangor) Rubber Estate, Ltd., will be held on November 22nd at 1-4, Great Tower Street, London, E.C.

The following is an extract from the circulated statement of the chairman, Mr J. A. Clubb, MM, MSM:

Our crop of 1,142,000 lb. exceeded last year's by 38,000 lb. and is the largest harvested by the Company. It represented a yield per mature acre of almost 900 lb. Having received during the year the fourth and final instalment of anti-inflationary cess amounting to £926, against £2,777 refunded in the previous year, and having set aside this year a larger sum for depreciation in keeping with present-day replacement costs, the profit after taxation was £32,260 (£39,327). From the balance available £865 has been transferred to Capital General Reserve and £8,699, equivalent to the year's replanting expenditure, to Replacement of Planted Areas Reserve. A dividend of 20 per cent less tax is recommended, the same as last year. We had the opportunity during the year of participating in a promising oil palm development project in North Borneo which I am glad to report has made a good start. Our total commitment is £50,000 and a balance of £37,500 remains to be called over the next four or five years.

In May this year we received notification that most of Seaport estate might be required by Government in connection with the new Kuala Lumpur airport. This does not necessarily mean that all or even part of the area concerned will be acquired and definite information is still awaited. During the year Government acquired an additional 13 acres for extending the airport approach road, making a total of 53 acres for which compensation has been received. Since the end of the year a further 11 acres, mostly old rubber, has been acquired for a similar purpose.

No further mining has been done on Seaport by Petaling Tin. Application has, however, been made to Government for renewal of the mining lease covering 94 acres which expires in October 1963. Your Board will pursue at an appropriate time the Company's application to Government for re-conversion to agricultural title of land held under mining lease.

The crop for the current year should be approximately the same as for the year just closed. For the three months to September 1962, 265,000 lb. has been harvested, compared with 321,000 lb. for the similar period in 1961. With some steadiness in the rubber price presently indicated Seaport should be able to report satisfactory results for the current year.

THE ECONOMIST NOVEMBER 3, 1962

ALEX. LAWRIE & COMPANY

The thirty-eighth annual general meeting of Alex. Lawrie & Company, Limited, was held on October 31st in London, Mr G. W. Gemmell (the chairman) presiding.

The following is an extract from his circulated statement:

In my preliminary report in August last I said that for the Group, with the exception of the East Africa interest, the year had been a satisfactory one.

The Parent Company were able to increase their net profit to £107,463, against £105,088 and as a result, notwithstanding the loss incurred by our East African subsidiary, in view of the Group's strong reserve position and general future prospects, we feel justified in recommending a final dividend of 7½ per cent, making a total of 12½ per cent for the year, the same as for 1961.

Regarding the Consolidated Accounts, the results from the year's trading show a less satisfactory picture than was presented in 1961 and this is entirely due to a reappraisal of the situation in which our East African subsidiary, Kettles-Roy & Tysons, find themselves due to deteriorating trading conditions in Kenya, Uganda and Tanganyika.

I would report, however, that for some time now we have been adopting a policy of shaping to size to meet the current potential. Our obligations have accordingly been reduced and this has resulted in the Parent Company recovering a considerable amount of the cash advanced to the subsidiary in the form of Bills; the position therefore in this respect is now much healthier.

The report was adopted.

COMPANY MEETING REPORTS

SECOND BROADMOUNT TRUST LIMITED

CONTINUED GROWTH OF EARNINGS

The thirty-fourth annual general meeting was held recently in London. The following are extracts from the remarks of the Chairman, Mr E. B. Montesole, JP.

The death of our late colleague Mr G. R. Hall Caine, CBE, is recorded with deep regret; he will be greatly missed by all those who worked with him.

Gross receipts show an increase of £1,787 to £76,623 and after deducting expenses and taxation and certain non-recurring items, net revenue is £44,175 compared with £43,194. Dividends, totalling 25 per cent, or 3d. per Ordinary 1s. Share, are recommended. We have had to contend with a standstill in the dividends received from most concerns while a few have not fully maintained their distributions.

A valuation of the investments at September 14, 1962, amounted to £1,715,906 compared with a book value of £526,453. The character and class of these remain as before and consist mainly of carefully selected equities.

We are proposing to make a further free issue of ordinary shares in the proportion of one for ten ordinary shares. The Directors hope to be able to recommend maintenance of the interim dividend of 8 1/3 per cent and a final dividend of 16 2/3 per cent, both less income tax, on the increased Ordinary Capital for the year to September 14, 1963. The report was adopted.

PRETORIA PORTLAND CEMENT COMPANY LIMITED

(Incorporated in the Republic of South Africa)

The sixty-seventh Ordinary general meeting of shareholders will be held in Johannesburg on November 23, 1962.

The following is an extract from the circulated Statement by the Chairman, Mr T. Reekie, dated October 5, 1962.

The quiet conditions in the building and construction industries as reflected by the sale of cement continued with, however, evidence of some slight improvement during the last few months. The tonnage sold by the Company showed a small increase compared with last year. Despatches of Portland Blastfurnace Cement, however, increased substantially at the expense of Portland Cement, and this was a factor resulting in the profit for the year before taxation being R218,042 lower than that of the previous year.

Your Company has taken appropriate action to produce and market Portland Blastfurnace Cement, the sales of which have increased materially during the last few years, due principally to its lower selling price. It is by no means certain, however, that it will be possible to maintain indefinitely in favour of Portland Blastfurnace Cement the existing price differential. The advent of large tonnages of granulated slag for use in cement manufacture has a direct bearing on the scale of output of your Company's basic commodity, Portland Cement clinker. The major portion of the investment in cement producing plants is associated with the manufacture of clinker, and both cost of production and profitability are dependent largely on the volume of production and sale of clinker in the form of Portland Cement. With the expansion of the South African steel industry, larger quantities of slag will be produced, but while it may be considered desirable to market this by-product for use in cementitious material, there are, clearly, limits to the extent to which granulated slag can be absorbed by this market. The increased demand for Portland Blastfurnace Cement has necessitated substantial capital expenditure on our part.

The profit of Eastern Province Cement Company Limited, showed an increase compared with the previous year's figure due to a small increase in sales. Sales by the Cape Portland Cement Company Limited for the year were slightly below last year's level. Trading conditions in the Federation of Rhodesia and Nyasaland continue to be extremely unsettled, which has resulted in the Premier Portland Cement Company (Rhodesia) Limited operating at a lower sales level than in the previous year. The two companies manufacturing pre-mixed concrete in Johannesburg, in which your Company has a small financial interest, are in production, and this product is becoming increasingly popular.

IMMEDIATE OUTLOOK

Building plans passed do not indicate that a substantial increase in the demand for cement for building purposes can be expected. It is reasonable to expect that our overall tonnage of sales this year will be maintained at about the same level as last year. The new rail tariffs introduced on September 1st, together with the increases in price of coal and wages, will adversely affect the trading profit should selling prices remain unchanged.

HALLMARK SECURITIES LIMITED



The Annual General Meeting of the Company was held on October 30th in London. The following are extracts from the statement by the Chairman, Mr. Sidney Bloch, circulated with the Accounts.

GROUP PROFITS INCREASED

The Group Profits (gross) amounted to £873,389 (£721,564). This substantial increase has been largely offset by increased interest charges. Net Profits (after Tax and minority interests) are £313,456 (£288,227).

FINAL DIVIDEND AND SPECIAL PAYMENT

The Final Dividend is to be 37½ per cent less tax (compared with forecast of 30 per cent) and makes a total for the year of 67½ per cent (60 per cent). In addition a special payment of 7½ per cent less tax is proposed to redeem the implied promise made last year that the final dividend would have been higher but for the Chancellor's plea for restraint.

BONUS ISSUE: ONE FOR ONE ORDINARY

Bonus issue proposed of one share for each Ordinary held. Estimates of profits for the current year are satisfactory, and in the absence of unforeseen circumstances, your Board expects to recommend dividends of not less than 33½ per cent (less tax) on the Ordinary Share Capital as increased by the proposed Bonus Issue.

ASSETS, PROFITS AND DIVIDENDS

Total Assets exceed £10 million for the first time.

Figures for last five years are:-

	Total Group Assets	Profits after Tax	Ordinary Capital	Gross Dividend Distributed
1958 ...	£1,900,000	£2,500	£67,028	—
1959 ...	£4,500,000	£117,000	£69,528	£77,000
1960 ...	£4,300,000	£137,000	£214,966	£115,000
1961 ...	£6,300,000	£288,000	£287,579	*£198,000
1962 ...	£10,300,000	£313,000	£347,970	*£235,000

* The special payment of 7½ per cent now being paid is included in the 1961 figure and is excluded from the figure for 1962. The increase in Gross Dividend for 1962 is equal to 18.2 per cent.

HOUSING

Sales of houses numbered 536 against 508 in 1961 and profits were also ahead of last year. There has been some slowing down in house sales during the summer due to high interest rates, restraint on demand generally and to difficulty of obtaining mortgages. With mortgages now easier to obtain there are definite signs of an upturn in demand. In recent weeks the Group's sales have been most encouraging.

SUBSIDIARIES

Barking Brassware Co. Ltd. maintained a full order book for the whole year and has again made a useful contribution to profits. Twentieth Century Banking Corporation Ltd. experienced heavy demand for funds and is operating on a sound and profitable basis. E. E. Reed & Co. (Builders) Ltd. (a housing subsidiary) is expanding its activities in the area west of London.

REVALUATIONS

Revaluations of developments to be retained will be undertaken when appropriate, but only of properties which are let and revenue-producing. A substantial surplus will, from time to time, arise as a result of these revaluations.

DIRECTORS

Sidney Bloch (Chairman)
Herbert Ashworth (General Manager)
P. N. Bower I. R. Crammond
A. C. Draycott, F.R.I.C.S., F.A.I. J. Hamilton
R. W. Matthews, F.C.A. (Secretary)

Registered Office: 26/27, Regency Square, Brighton, Sussex.

ISSUED CAPITAL

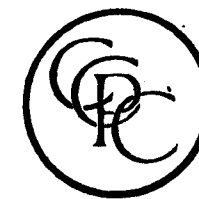
222,000 6½ per cent Cumulative Preference Shares of £1 each.

6,959,405 Ordinary Shares of 1/- each.

Ordinary dividend for the year to April 30, 1962:

67½ per cent (less income tax).

Ordinary Share price at October 30, 1962: 22/-.



CAPITAL & COUNTIES PROPERTY COMPANY

The twenty-eighth Annual General Meeting of Capital & Counties Property Company Limited was held on October 29th at St. Ermin's Hotel, Caxton Street, London, S.W.1, Mr. Leslie Marler, OBE, TD, chairman and managing director, presiding.

The following is an extract from his statement which had been circulated with the report and accounts to April 30, 1962:

Once again I have to report a record year of continued expansion and profit. Our rental income has increased from £11202,404 to £14,911,279, our net profits after tax from £306,367 to £351,835 with a resultant increase in dividend and a carry forward of £249,871 against £157,581 brought in.

A Public Enquiry in connection with our Knightsbridge Green Development was held in April of this year by the Minister of Housing and Local Government. The result has not yet been published, but we have received a letter dated September 17, 1962, informing us that there is every likelihood that the Minister's decision would be issued within the next two months.

You will have observed that we have recently acquired properties which have been valued at just under £4m. More than half these properties have been acquired in connection with our long-term programme of redevelopment. It is, however, part of our

policy to build up a substantial reserve of developable areas and as a result of this we are now able to programme for at least the next ten years. If any justification of this policy were needed, it is only necessary to consider the extremely high prices which are being paid today for immediately developable sites; prices which, in our opinion, leave little or no room for profit; we do not intend to enter contests of this nature.

The successful share issue made in June which raised £3,400,000 discharged the Bank overdrafts and will enable your Company to take advantage of any suitable opportunities to increase our reserve of developable areas. To this end a number of negotiations are now in hand in various quarters which could result in a very large increase indeed in our development programme over the years and ensure us a continually expanding supply of sites of the highest quality.

The report and accounts were adopted.

THE JHANZIE TEA ASSOCIATION

The eighty-fifth annual general meeting of The Jhanzie Tea Association, Limited, was held on October 26th in London, Mr G. A. Rainey (the chairman) presiding.

The following is an extract from his circulated statement:

I am glad to be able to report a much better result for 1961 than those recorded in the recent past, the revenue profit of £148,849 being the

COMPANY MEETING REPORTS

highest achieved since 1956. This has been brought about by the satisfactory prices obtained at the auctions and an improvement in outturn of some 500,000 lbs. without, I would like to add, any ill effect on the quality of the teas; the increase in revenue expenditure was mainly attributable to the increase in crop. All your gardens returned higher crops, and it is reassuring to see that Boisabahi, owing to its greater outturn, has made a small profit. Seleng, regrettably, shows a loss, although considerably less than for the previous year.

Total profit, after taxation, is £92,327. Your

THE ECONOMIST NOVEMBER 3, 1962

Board recommends a final dividend of 7½ per cent making 10 per cent free of tax for the year, compared with 5 per cent for last year.

Having reported that good progress had been made in the clearing and preparation of virgin land, some of which had already been planted out, the chairman continued:

According to latest reports received from India prospects for the 1962 season are encouraging, particularly as both Seleng and Boisabahi are ahead of their 1961 outturn.

The report was adopted.

THE ECONOMIST NOVEMBER 3, 1962

COMPANY AFFAIRS

With the easing of tension over Cuba, prices of both equities and gilt-edged have made a good recovery in the London stock market. In equities the falls have been fully recovered and with a jump of 16.7 points to 330.3 The Economist indicator is now just above its level of October 17th before the crisis began. The recovery in gilt-edged has not been so complete and the Financial Times index at Wednesday's close was 85.23 compared with the pre-crisis level of 86.90. Among equities Courtaulds and Tube Investments achieved good rises after their results were published.

Courtaulds

It is all so different from a year ago. Then Courtaulds cut its interim dividend by 1d. to 9d. a share and reported a fall of £2 million in its gross profits for the half year. Now a year and many profit forecasts later, the directors have set the interim dividend at 1s. 1d., this time a penny more than was generally expected, and have announced profits which justify the directors' confident predictions that were so vital in staving off ICI's takeover bid earlier this year. As the table shows, Courtaulds' trading profit in the six months to September 30th has risen by 70 per cent compared with the same six months in 1961, though sales were barely 7 per cent higher. Compared with the six months to March 31st last sales were slightly lower but profits were 25 per cent higher.

These figures provide a full answer to those who had doubts about the extent of the benefits to be gained, particularly in viscose, from rationalisation policies and the integration of British Enka, which was acquired last November. The directors say that "cost reductions from rationalisation and better efficiencies" have been a major factor. But the improvement in profits has not been confined to viscose. Cellulose and packaging are other divisions that are clearly gaining from a vigorous policy of rationalisation. It seems clear however that the paint division has found the going hard, while the poor summer weather cannot have helped the textile trade.

	Sept. 30, 1961	March 31, 1962	Sept. 30, 1962
Six months to			
Sales	£83,451	£99,881	£99,425
Trading profit	£6,218	£7,939	£10,522
Investment income	£1,368	£2,181	£1,950
Gross profit	£7,586	£10,120	£12,472
Loan interest	—	—	£1,385
Tax	£3,135	£4,265	£4,619
Minority interest	—	—	£385
Net attributable profit	£4,066	£5,517	£5,877
Trading profit/sales	7.5%	8.8%	11.8%

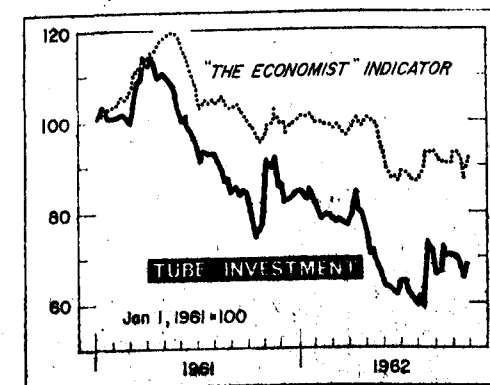
For the full year the directors have forecast gross profits of £23 million but they now believe that this figure will be exceeded and if profits are no higher in the second half-year than in the first gross profits will be close to £25 million. On this basis equity earnings will be close to 23 per cent, which

suggests that a higher dividend than the 13 per cent already forecast is possible. If the final dividend is maintained at 1s. 9d. a share the total payment would be 2s. 10d. a share (or 14½ per cent). This may not be too optimistic an assumption and on this basis the £1 shares, which gained 3s. 7½d. to 50s. 9d. on these results, yield 5½ per cent. ICI must be pleased with its investment.

Tube Investments

As the chart shows the £1 shares of Tube Investments have fallen more steeply than the other shares included in *The Economist* Indicator in the last eighteen months. This accurately reflects the many difficulties facing the group in the past year, particularly in the aluminium, iron and steel cycle and electrical divisions. The interim statement in May was gloomy but the big earnings cover precluded a reduction in the dividend from 14 per cent.

Trading profits for the year to end July fell by over £5 million from £27.2 million to £22.1 million, with those of the British Aluminium group falling from £4.7 million to £2.8 million and those of Raleigh In-



dustries from £1.8 million to £1.3 million. Higher depreciation and interest charges together with £548,000 charged against the "expense of concentration of production" left gross profits almost 25 per cent down at £15.9 million. Net profits (excluding tax and other credits) fell from £9.1 million to £7.3 million. A year ago the chairman, Sir Ivan Stedeford, forecast that

results would not be "significantly different" from those of 1950-60, when net profits amounted to £8.1 million. If account is taken of the exceptional charge, his estimate is seen to be not too wide of the mark.

Indeed the results were better than had been generally expected and the £1 shares were marked up by 3s. 6d. to 52s. 9d. They reflect in part the reorganisation and the rationalisation of the cycle and aluminium divisions, which should now be better placed to meet competition. The separate figures for British Aluminium and Raleigh Industries show the extent of the setback in these divisions. Most of the exceptional charge stemmed from Raleigh and as a result it showed a pre-tax loss of £101,000. On the electrical side TI should be enjoying better markets for its "Creda" products while the profits of the steelmaking companies should at least benefit in the current year from the price increases made in the Spring. Shareholders will hope that in his valedictory statement Sir Ivan will hold out better prospects for the future. A year ago he said that economic circumstances were not those "which might be expected to herald another record year." The same holds good in 1962-63 and it will need an expanding economy to lift TI's profits much above their present level. But the £1 shares, yielding 5.3 per cent, covered 2.4 times, hold out some scope for recovery at the first signs of more buoyancy in the economy.

Fisons

HAVING braced themselves for an expected fall of £1,250,000 in Fisons' pre-tax profits, it must have come as a pleasant surprise to shareholders that the directors had forecast. In fact profits in the year to June 30th fell by £897,000 to £2,710,000. The "modest reduction" in the final dividend is indeed just that—a cut of one point from 7 to 6 per cent to make a total dividend of 10 per cent, against 11 per cent. The reasons for the fall in profits are well known; a drop in sales of compound fertilisers, price reductions and the effects of Fisons' "bargain basement" sales in the previous year.

The extracts from the group's balance sheet issued with the preliminary statement suggest that the day when Fisons will have to come to the market for new funds cannot be far away. In two years liquid holdings have been run down from £8½ million to under £1½ million and with Fisons now going ahead on plans to spend £9.4 million on its new hydrogen products plant at Immingham commitments amount to £11½ million. Such capital expenditure, even if spread over a number of years, is hardly likely to be covered by the cash flow, which amounted to £2.6 million in 1961-62. The £1 shares at 31s. 6d. stand at only about half their 1961 peak of 61s. 3d. and now yield 6.4 per cent.

Continued on page 522

MERSEY DOCKS AND HARBOUR BOARD

PORT OF LIVERPOOL INQUIRY

MASTER PORTERAGE

The Mersey Docks and Harbour Board have set up a Sub-Committee to consider in the light of present-day conditions all aspects of Master Portage and related matters.

Any interested party wishing to submit evidence to the Sub-Committee is invited to do so in writing by December 31, 1962.

Communications to be sent to the Secretary, Master Portage Sub-Committee, Mersey Docks and Harbour Board, Liverpool, 3.

Dock Office, Liverpool.

October 31, 1962.

A FOREIGN LANGUAGE in a few months ASSMIL way. You assimilate the language and acquire the accent naturally by listening to the living language on gramophone records with an illustrated book to guide you. Preliminary and Complete Courses in French, German, Italian, Russian and Spanish. A Pilot-man follow-up course available for technical and commercial expressions. Details from ASSMIL, 79, Farncombe, Godalming, Surrey.

DIRECTORS needing able office staff (Clerks and L.S.)—Consult Stella Fisher Bureau, 436 Strand, W.C.2. Temple Bar 6644.

FIRMS required who wish to open Branches or Factories, etc., in Israel, with a view to having a central position to export. Every support given—Apply, Box 1644.

UNIVERSITY OF LONDON: The Stamp Memorial Lecture, entitled "Some Thoughts on Central Banking," will be delivered by The Rt. Hon. Lord Cobbold at 5.30 p.m. on Tuesday, November 13th, at the University of London, Senate House, W.C.1.

ADMISSION FREE, WITHOUT TICKET. JAMES HENDERSON, Academic Registrar.

THE ROYAL BANK OF CANADA. DIVIDEND No. 301 and BONUS. Notice is hereby given that a DIVIDEND of 60 cents per share upon the paid-up capital stock of this Bank has been declared for the current quarter and a bonus of 25 cents per share for the year ending November 30th, and both will be PAYABLE at the Bank and its branches on and after December 1, 1962, to Shareholders of record at the close of business on October 31, 1962.

By Order of the Board, C. B. NEAPOLÉ, General Manager.

October 25, 1962.

BENGUELA RAILWAY COMPANY

The following preliminary traffic results for the first nine months of 1962 compared with the first nine months of 1961 have been issued.

	1962	1961
Kilometres run	5,917,317	6,019,006
Tons	—	—
Passenger Traffic:		
Journeys	12,075,000	9,307,000
Luggage	1,105,000	975,000
Local Traffic:		
Minerals	186,508	21,494,000
Other	484,184	67,289,000
Transit Traffic:		
Minerals	470,941	255,879,000
Other	107,436	82,143,000
Miscellaneous Receipts	8,907,000	9,731,000
Total	1,250,102	448,852,000
Working Expenses in Africa	255,749,000	243,155,000
Net Operating Receipts	193,093,000	210,336,000

Tanganyika Concessions Limited owns all the Debentures and 90 per cent of the equity of the Benguela Railway.

THE CHARTERED INSTITUTE OF SECRETARIES

Employers requiring the services of Chartered Secretaries to fill secretarial and similar executive posts are invited to communicate with the Secretary of the Institute (Dept. E), 14 New Bridge Street, London, E.C.4.

THE HUDSON'S BAY OIL & GAS COMPANY LIMITED

Hudson's Bay Oil & Gas Company Limited and its subsidiaries have net income of \$7,372,000 for 1962 compared with \$5,187,000 or 29 cents per share, earned in the comparable period of 1961. The company's nine month net income established a record for the first three-quarters of any year and it was 39.1 per cent higher than the net earnings for the comparable period of last year. Wayne E. Glenn, President, said the Company's net income for the third quarter of this year was \$3,157,000 or 18 cents per share, an increase of 50.5 per cent over the \$2,097,000 or 12 cents per share earned in the third quarter of last year. Gross operating income increased by \$1,970,000 or 29 per cent, reflecting a continuation of record sales volumes and higher average selling prices. Total expenses were up 24.4 per cent with almost two thirds of the increase due to greater exploration activities. Mr. Glenn said the Company's production of crude oil and natural gas liquids averaged 30,834 barrels per day for the third quarter of 1962, an increase of 3,655 barrels per day or 13.4 per cent over production for the same period of 1961. Sales of natural gas averaged 84.4 million cubic feet per day, an increase of 2.8 million cubic feet per day or 49.1 per cent. Operation of the new West Whitecourt natural gas processing plant was a major factor in both of these increases. The Company's exploration and development drilling activities continued at a higher rate than in the prior year. During the third quarter 39 gross or 26.2 net wells were completed. This represented an increase of three gross or 7.3 net wells over the number completed during the same period of 1961. In its exploratory drilling programme the Company participated in the completion of one gross or 1.0 net well; two gross or 1.2 net natural gas wells; and six gross or 3.8 net dry holes. The development drilling programme resulted in the completion of 15.6 net oil wells and 3.3 net natural gas wells.

DOMINION OF CANADA TRILLIAND-A-DUQUARTER PER CENT REGISTERED STOCK, 1958-63.

For the purpose of preparing the Interest Warrants due January 1, 1963, the BALANCE SHEET will be STRUCK at the close of business on December 1, 1962, after when due the Stock will be transferred ex-dividend.

For the Bank of Montreal, Financial Agents of the Government of Canada, in London.

JOHN H. F. TURNER, Manager.

47 Threadneedle Street, E.C.2.

November 1, 1962.

EXPERT POSTAL TUITION

for Examinations—B.Sc.(Econ.), Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects—Write today for free prospectus and/or advice, mentioning examination or subjects in which interested, to the Secretary (G9/2).

METROPOLITAN COLLEGE, ST. ALBANS

or call at 30 Queen Victoria Street, London, E.C.4. Established 1910.

A CAREER IN PUBLIC RELATIONS

Comprehensive eight-week instructional courses running in February and April, 1963. Details from Secretary, London School of Public Relations, 57 Duke Street, London W.1.

FRENCH CORRESPONDENCE COURSES

(1) Cours de Langue et de Civilisation Françaises.
(2) Basic French for Conversation.
(3) Translation Courses.
Lesson-by-lesson coaching by French teachers. Easy payments. Send for prospectus to: L. W. H. Fletcher, Director, 11 Charing Cross Road, London, W.C.2.

TUITION FOR B.Sc. ECONOMICS

Wolsey Hall (est. 1894) provides Postal Courses in a wide range of subjects for the three examinations for London B.Sc. Econ. (1963). Wolsey Hall students passed London University B.Sc. Economics Exams, 1960-61. Tuition also for G.C.E., Law, Statistical, other exams.—Prospectus (mention examination from L. W. H. Fletcher, Director, 11 Charing Cross Road, London, W.C.2).

WOLSEY HALL, OXFORD

APPOINTMENTS

THE EDINBURGH & EAST OF SCOTLAND COLLEGE OF AGRICULTURE

Applications are invited for the post of ASSISTANT ADVISORY OFFICER, FARM BUILDINGS, Salary Grade IV, £718-£903. The appointment is eligible for superannuation. The duties of the post are to advise on the construction of Agricultural Buildings or equivalent qualifications. Experience of, or use of farm buildings is desirable. Particulars and application forms may be obtained from the Secretary, The Edinburgh School of Agriculture, Wemyss Buildings, Edinburgh, 9, to whom applications should be lodged within two weeks of this advertisement.

J. A. JOHNSTON, Secretary.

WATFORD COLLEGE OF TECHNOLOGY

HIMPSTAD ROAD, WATFORD, HERTS. Required: a full-time LECTURER to teach Intermediate, Advanced and Foundation Courses in the field of Mechanical Engineering. Candidates should possess a degree or good professional qualifications with preferably teaching or good industrial experience.

Salary scale £1,600 to £4,000—£1,800.

Application forms (returnable by November 12th) and further details from the Registrar.

VICTORIA UNIVERSITY OF WELLINGTON

LECTURER IN PUBLIC ADMINISTRATION

Applications are invited for the above mentioned post. Lecturing in Public Administration within the School covers a wide range. Experience in one or more of the following fields would be desirable: organization theory and practice; the history of administration; the behaviour of administrative groups; financial administration; local government administration; decision-making theory; the behaviour of pressure groups. Knowledge of and interest in comparative administration and/or the New Zealand would be an advantage.

The salary of a lecturer will be £1,250 per annum, plus annual increments of £75 to £1,700 per annum. The initial salary will be determined according to the qualifications and experience of the applicant. Appointment will be for three years with possible extension to a maximum of five years. Superannuation is on the F.S.S.U. pattern. Reasonable travel expenses are paid and assistance with housing is provided.

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 New Zealand and London on December 1, 1962.

LEADING firm of Stockbrokers requires experienced INVESTMENT STATISTICIAN preferably, but not necessarily, with professional or academic qualifications. Good prospects and working conditions. Write, giving details of age, qualifications, experience and previous employment, to Box 11, 159, c/o Hunway House, Clark's Place, E.C.2.

ECONOMICS and STATISTICS

Department of Marketing Consulting Company requires staff (male or female) for work involving statistical and economic research in a wide and varying range of industries and countries, and work on Clients' sales statistics.

Graduates preferred, but some relevant experience and aptitude and liking for figures more important than formal qualifications. Starting salary dependent on experience and qualifications, up to about £1,000.

Apply with full details to:

MARKETING DEVELOPMENT CO. LTD., 12 Grosvenor Place, London, S.W.1.

UNESTABLISHED DISTRICT COMMISSIONERS

NATIONAL SAVINGS COMMISSIONER

Several vacancies, mainly in the Province, for men of proven knowledge of economics, organising ability, preferably with experience of public speaking and voluntary organisations. University education an advantage. National salary £406 on entry (age 25 and over) rising to £1,148. Possible establishment later. Application forms from Manager (PL 5081), Professional and Executive Registrar, Ministry of Labour, Atlantic House, Farringdon Street, London, E.C.4. Closing date for completed application forms December 3, 1962.

THE UNIVERSITY OF SHEFFIELD

Applications are invited for a post of LECTURER in ACCOUNTANCY to begin duties on 1st November 1962. Initial salary according to qualifications and experience on the scale £1,150 to £3,500. £1,500 a £75 per annum. A grant towards removal expenses will be made. Further particulars may be obtained from the Registrar, to whom applications (with curriculum vitae) should be sent by November 24, 1962.

For other appointments see page 523

AUSTRALIAN NATIONAL UNIVERSITY

INSTITUTE OF ADVANCED STUDIES

Applications are invited for appointment as Research Fellow in the Department of Geography, Research School of Pacific Studies. The present staff of the Department consists of: Professor G. H. K. Spate; Mr. J. N. Jennings, Reader in Geomorphology; Dr. H. C. Brookfield, Reader in Social Geography; Dr. Donald Walker, Reader in Biogeography; Dr. G. E. R. Long, Fellow; Dr. R. G. Robinson, Research Fellow.

It is desired to strengthen the Department on the economic side, more especially in respect to quantitative techniques as applied to urban geography or the geography of transport, communications or industrial location.

The Research Fellow will be expected to supervise students working for post-graduate degrees and to carry out original research, preferably in the aspects indicated above; members of the Department's staff are encouraged to carry out their own research projects rather than to fit into a pre-arranged programme, though there may be a limited amount of assigned work.

The salary range for Research Fellows is £4,155-£6,425 p.a. with annual increments of £75. Initial salary will depend on qualifications and experience. Appointment is for three years with possible extension to a maximum of five years. Superannuation is on the F.S.S.U. pattern. Reasonable travel expenses are paid and assistance with housing is provided.

Further particulars should be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1. Applications close in Australia and London on November 30, 1962.

STOCK PRICES

Prices, 1962		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Oct. 24, 1962	Price, Oct. 31, 1962	Net Red. Yield, Oct. 31, 1962	Gross Red. Yield, Oct. 31, 1962	Prices, 1962		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Oct. 24, 1962	Price, Oct. 31, 1962	Yield, Oct. 31, 1962	Cover
High	Low							High	Low								
100 1/2	100 3/4	Treasury 5 1/2%	1962	100.2 1/2	100.1 3/4	£ s. d.	£ s. d.	105 1/2	79 9/16	6 1/2 b	6 1/2 b	BANKS, DISCOUNT & HP		79 9/16	82 1/2	3 1/7	...
99 1/2	99 1/2	Exchequer 3 1/2%	1962-63	99 1/2	99 1/2	2 2 6	4 0 7 1/2	70 1/2	53 3/4	5 1/2 b	4 1/2 a	Lloyds	53 3/4	57 3/4	3 3/2	...	
100 1/16	98 1/2	Conversion 4 1/2%	1963	100 1/2	100 1/32	2 1 10	4 1 3	28 3/4	20 1/2	7 1/2 b	7 1/2 b	Martins	25 3/4	28 3/4	2 6/5	...	
98 1/2	97 1/2	Exchequer 2 1/2%	1963-64	97 1/2	98 1/4	2 1 8	3 13 11 1/2	101 1/2	80 1/2	7 1/2 b	7 1/2 a	Midland	85 3/8	88 3/8	3 40	...	
100 1/2	97 1/2	Conversion 4 1/2%	1964	100 1/2	100 1/2	2 1 0 2	4 2 4	100 9/16	73 3/4	7 1/2 b	6 3/4 a	Westminster B.	78 1/2	80 9/16	3 47	...	
99 1/2	98 1/2	Treasury 5 1/2%	1965	98 1/2	99 1/2	2 1 5 8	4 7 11	48 3/4	40 6	8 1/2 b	4 1/2 a	Australia & N.Z.	46 1/2	47 3/4	5 08	...	
97 1/2	96 1/2	Savings Bonds 3%	1955-65	94 1/2	96 1/2	3 4 0	4 9 9 1/2	40 9/16	34 3/5	5 1/2 b	3 1/2 a	Bk. Lond. & S. Amer.	35 3/4	35 3/4	4 73	...	
103 1/2	90 1/2	Exchequer 5 1/2%	1966	101 1/2	102 1/2	2 1 0 8	4 1 4 5	25 1/2	17 1/2	\$2.05 c	\$2.05 c	Bank of Montreal	\$10 1/8	\$20 1/2	3 25	...	
92 1/2	85	Savings Bonds 2 1/2%	1964-67	90 1/2	91 3/4	2 1 4 0	4 1 4 6	26 1/2	18 1/2	8 c	9 c	Bank of New S. Wales	36 1/4	35 1/4	4 06	...	
103 1/2	98 1/2	Exchequer 3 1/2%	1967	99 1/2	100 1/2	2 1 7 1/2	4 1 6 2	29 1/2	32 6	5 c	5 c	Barclays D.C.O.	36 3/4	37 3/4	5 37	...	
93 1/2	83 1/2	Funding 3 1/2%	1968-69	90 1/2	91 7/8	3 10 9	4 1 8 3	29 1/2	34 1/2	7 1/2 b	7 1/2 a	Schroders	54 9/16	54 9/16	5 38	...	
95 1/2	84 1/2	Conversion 3 1/2%	1959-69	90 1/2	90 3/4	3 10 9	4 1 8 3	29 1/2	34 1/2	10 1/2 b	5 1/2 a	Hongkong & Shang.	\$25 1/7	\$17 1/4	4 23	...	
92 1/2	82 1/2	Funding 3 1/2%	1959-69	90 1/2	90 3/4	3 10 9	4 1 8 3	29 1/2	34 1/2	9 1/2 b	7 1/2 a	Nat. Com. Bk. Scot.	49 9/16	51 1/6	3 20	...	
98 1/2	92 1/2	Victory 4%	1920-76	96 1/4	98 1/4	2 1 6 5	4 8 10 1/2	26 1/2	22 1/2	\$2.37 c	\$2.50 c	Royal Bk. Canada	\$10 22 1/2	\$25 1/2	3 28	...	
90 1/2	78 1/2	Savings Bonds 3%	1960-70	86 1/4	88	3 13 3	4 1 8 11 1/2	42 3/4	37 6	5 c	10 b	Standard Bank	44 3/4	45 1/4	6 67	...	
103 1/2	90 1/2	Conversion 5%	1971	99 1/2	101 1/2	3 1 0	5 0 3	34 1/2	35 1/2	15 1/2 b	7 1/2 a	Hambros	5 1/2	36 3/4	3 08	...	
109 1/2	97 1/4	Conversion 6%	1972	105 1/2	107 1/2	3 1 6	5 2 2	39 1/2	39 1/2	6 1/2 b	7 1/2 a	Schroders	68 3/4	68 3/4	2 13	...	
105 1/2	91 1/2	Conversion 5 1/2%	1973	103 1/4	104 1/2	3 2 0	5 2 1	65 9/16	53 1/2	15 1/2 b	6 1/2 a	Union Discount	62 9/16	62 9/16	4 48	...	
95 1/2	87 1/2	Funding 4%	1960-90	92 1/2	94	3 1 1	4 1 3 3 1/2	14 1/2	10 1/2	18 c	Nil c	Bowmaker	12 1/2	12 1/2	...	...	
83 1/2	74 1/2	Savings Bonds 3%	1965-75	79 1/2	81 3/4	3 13 3	5 0 1	14 3/4	9 9	10 c	2 1/2 a	Lombard Banking	10 1/2	10 1/2	...	1 1/4	
82 1/2	69 1/2	Treasury 3 1/2%	1977-80	79	80 3/4	3 14 1	5 6 3 1/2	16 1/4	10 6	2 1/2 b	2 1/2 a	Mercantile Credit	12 7/8	13 3/4	2 83	...	
81 1/2	68 1/2	Treasury 3 1/2%	1979-81	77 3/4	79 1/4	3 14 3	5 6 2 1/2	14 1/2	28 6	4 a	22 1/2 b	United Dominions	29 1/2	32 6	4 08	...	
102 1/2	90 1/2	Funding 5 1/2%	1982-84	99 1/2	102	3 6 0	5 9 4 e	...	...	...	...	BREWERIES, Etc.		...	...	...	...
93 1/2	82 1/2	Treasury 5%	1985-89	89 1/2	92 1/4	3 10 5	5 11 7 1/2	18 6	13 3	...	4 a	Bass, M. & B.	5 1/2	13 6	3 86**	2	
66	54	Redemption 3%	1986-96	62 1/4	64 1/4	3 14 4	5 6 0 1/2	14 10 1/2	12 10 1/2	...	4 1/2 a	Charrington United	5 1/2	13 7 1/2	4 21**	1 1/4	
69 1/2	56 1/2	Funding 3 1/2%	1999-2004	66 1/4	68 1/4	3 13 2	5 10 11 1/2	44 1/2	30 6	8 1/2 b	6 a	Distillers	10 1/2	32 1 1/2	34 7 1/2	4 19	
98	84 1/2	Treasury 5 1/2%	2006-12	66 1/4	68 1/4	3 12 6	5 19 0	51 6	41 1/2	14 b	8 a	Guinness	10 1/2	41 9	5 15	1 1/4	
69 1/2	58 1/2	Consols 4 1/2%	after Feb. 1957	64 3/4	66 1/4	3 11 0	5 15 8 1/2	34 1/2	20 1/4	14 c	5 1/2 a	Harveys	20 1/4	21 1/4	3 13	1 1/2	
61 1/2	52 1/2	War Loan 3 1/2%	after 1952	58 1/2	60 1/4	3 11 5	5 16 9 1/2	15 7 1/2	11 7 1/2	12 b	6 a	Ind. Co-ops. T.A.	5 1/2	11 7 1/2	12 1/2	5 00**	
52 1/2	44 1/2	Conv. 3 1/2%	after Apr. 1961	58 1/2	60 1/4	3 11 5	5 16 9 1/2	29 1/2	21 3	12 b	6 a	Watney Mann	5 1/2	22 6	23 6	3 83	
53 1/2	44 1/2	Treasury 5 1/2%	1965-65	50 1/2	52	3 10 10	5 15 11 1/2	42 1/2	31 9	30 c	10 a	Whitbread A.	5 1/2	32 1/4	34 1/4	4 41	
45 1/2	38 1/2	Consols 2 1/2%	after Apr. 1966	42 1/4	44 1/4	3 9 5	5 13 5 1/2	...	...	...	...	BUILDING, PAINT, Etc.		...	...	...	...
44 1/2	38 1/2	Treasury 5 1/2%	1967-69	42 1/4	44 1/4	3 1 3	4 17 10 1/2	61 1/2	50 6	6 1/2 b	3 a	Associated Portland	54 6	57 1/4	3 30	2 1/4	
100 1/2	89 1/2	British Electric 4 1/2%	1967-69	82 1/2	84 1/4	3 13 10	4 19 10 1/2	27 1/2	20 10 1/2	4 a	8 1/2 b	British Plaster Bd.	10 1/2	26 1 1/2	4 61	2	
86	74 1/2	British Electric 3 1/2%	1968-73	82 1/2	84 1/4	3 13 3	5 0 2 1/2	18 10 1/2	14 10 1/2	6 a	10 b	Richard Costain	5 1/2	16 6	4 57	2 1/4	
81 1/2	69 1/2	British Electric 3 1/2%	1974-77	77 1/4	79 1/4	3 9 0	5 4 8 1/2	13 9 1/4	10 6	16 9 5	5 a	Critical Mfg.	5 1/2	13 4 1/2	6 15**	2	
90 1/2	79 1/2	British Electric 4 1/2%	1974-77	87 1/4	89 1/4	3 13 4	5 4 8 1/2	19 10 1/2	9 10 1/2	6 a	16 1/2 b	International Paints	4 1/2	11 1/2	8 00	1 1/2	
83 1/2	70 1/2	British Electric 3 1/2%	1976-79	79 1/4	80 3/4	3 13 4	5 4 8 1/2	69 6	48 9	25 c	25 c	Rugby Portland	5 1/2	57 1/2	60 3/4	2 07	
95 1/4	82 1/2	British Gas 4 1/2%	1969-72	91 3/4	93 1/4	3 9 2	4 1 8 7 1/2	29 6	18 1 1/2	5 a	12 b	Wall Paper	5 1/2	18 6	18 1/4	4 63	
92 1/2	80 1/2	British Gas 3 1/2%	1973-77	91 3/4	93 1/4	3 14 0	5 5 3 1/2	...	...	...	...	CHEMICAL		...	...	...	...
64 1/2	53 1/2	British Gas 3%	1978-81	82 1/2	84 1/4	3 13 10	4 19 10 1/2	25 7 1/2	20 9	14 b	6 a	Albright & Wilson	5 1/2	23 3	24 3	4 12	
90 1/2	77 1/2	British Transport 3%	1968-73	82 1/2	84 1/4	3 9 4	5 4 0 1/2	19 3	13 1/2	11 1/2 c	5 a	Borax Delf.	5 1/2	13 1/2	13 9	4 18	
69 1/2	57 1/2	British Transport 4%	1972-77	87 1/4	89 1/4	3 9 4	5 4 0 1/2	43 3	25 6	4 3/4 b	6 a	Fisons	5 1/2	30 3	31 9	6 30	
90 1/2	77 1/2	British Transport 3%	1978-88	66 1/4	68 1/4	3 16 7	5 7 3 1/2	58 1/2	47 6	7 1/2 b	6 1/2 a	ICI	5 1/2	55 9	4 93	1	
69 1/2	56 1/2	British Transport 3%	1978-88	66 1/4	68 1/4	3 16 7	5 7 3 1/2	18 6	12 1/2	10 c	3 1/2 a	Monsanto	5 1/2	13 3	14 3	...	
Prices, 1962		DOMINION AND CORPORATION STOCKS		Price, Oct. 24, 1962	Price, Oct. 31, 1962	Net Yield, Oct. 31, 1962		Prices, 1962									
High	Low							High	Low								
88 1/2	79 1/2	Australia 3 1/2%	1965-69	85 1/2	86 1/4	5 14 0	35 3/3	24 1/2	8 b	4 a	4 a	DRAPERY & STORES		24 6	25 9	2 33	2 1/4
103 1/2	96 1/2	Australia 6%	1974-76	101	101	5 17 0	33 9	18 9	5 b	2 a	2 a	Boots Pure Drug	5 1/2	22 1/2	23 6	2 96	
66	52	Ceylon 4%	1973-75	56 1/2	57 1/2	10 1 0	39 1/2	32 1/2	55 0	13 1/2 b	13 1/2 b	Montague Burton	10 1/2	43 9	4 27	1 1/4	
104	94 1/4	New Zealand 6%	1976-80	101 1/2	101 1/2	5 18 0 e	40 9	34 1/2	91 0	20 9 b	20 9 b	Debenhams	5 1/2	42 9 1/2	3 23	2 1/2	
81	62 1/2	Rhodesia and Nyasaland 6%	1978-81	78	80	8 6 0	100 6	28 9	16 1/2 b	13 1/2 a	13 1/2 a	House of Fraser	5 1/2	30 1/2	36 1/4	1 1/4	
91 1/4	82 1/2	South Africa 3 1/2%	1965-67	89 1/2	91 1/2	7 1 0	52 6	12 6	7 1/2 b	5 a	5 a	Lewis's Invest. Tr.	4 1/2	12 6	13 6	2 85	
69	57 1/2	South Africa 3 1/2%	1967-72	89 1/2	91 1/2	7 1 0	52 6	39 6	20 b	10 a	10 a	Marks & Spencer	5 1/2	79 3	83 1/2	2 86	
81 1/2	77 1/2	Agricultural Mortgage 5%	1959-89	87 1/2	90 1/2	5 14 0	53 1/2	40 6	25 b	10 1/2 a	10 1/2 a	United Drapery	5 1/2	43 1/2	43 9	3 43	
96 1/4	86 1/2	Birmingham 4 1/2%	1967-70	92 1/2	93 1/2	5 9 0	32 6	20 6	10 1/2 a	10 1/2 a	10 1/2 a	Woolworth	5 1/2	42 6	45 9	3 91	
100	88 1/2	Bristol 3%	1971-73	95 1/2	97 1/2	5 10 0	43 6	30 6	19 24 c	13 1/2 a	13 1/2 a	OIL		37 9	42 1/2	7 45	2 1/4
100 1/2	88	Corporation of London 5 1/4%	1976-79	95 1/2	98 1/2	5 19 0	44 6	26 1/2	21 c	12 1/2 a	12 1/2 a	British Petroleum	40 1/2	41 3	8 25	1 1/4	
52	43	L.C.C. 3%	after 1920	92 1/2	94 1/2	5 9 0	36 6	27 1/2	125 c	11 1/2 a	11 1/2 a	Burmah Oil	20 1/2	21 3/4	23 6	2 1/2	
96	84 1/2	L.C.C. 5%	1980-83	92 1/2	94 1/2	5 8 0	32 6	20 6	...	...	...	Shell Transport	5 1/2	32 9	35 10 1/2	3 69	
100	87	Midland 5 1/2%	1980 96	98 1/2	98 1/2	5 8 0	32 6	20 6	...	...	...	Ultramar	10 1/2	20 9	20 9	...	

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Pressed Steel

HAVING cut the total dividend from 30 to 5 per cent for 1961, the directors of Pressed Steel have now passed the interim dividend for 1962. In 1961, the group made a net loss of nearly £2.7 million but at the time of its announcement the directors explained that the group had returned to profitable trading in the first quarter of this year. They now say that the hopes that they then expressed have not been fulfilled and that the profitable trading conditions then being experienced "have been affected by a falling off in business since mid-July and subsequent short-time working in the motor car body division." No appreciable improvement is expected before the new year. The Prestcold refrigerator division has had a "poor selling season" though the directors expect a "steady improvement" in the performance of this division following the agreement with Rolls Razor. The contribution of the railway wagon division is, reflecting a low volume of business, "relatively small" and there has again been considerable development expenditure on the range of Beagle aircraft. In all, the results for this year should be better than those for 1961 though the directors say they will still be "disappointing." If all this means is that Pressed Steel will make a smaller loss than it did last year there seems to be no point in anticipating any immediate recovery in the 5s. shares, now standing at 13s.

British Electronic Industries

A NET loss of £155,000, an unchanged bank overdraft of nearly £8½ million and a reduction in the ordinary dividend from 15 per cent to a nominal 2½ per cent, paid out of reserves, for the year to March 31st would not, it might be supposed, provide any grounds for confidence. Yet the chairman of British Electronic Industries, Mr C. O. Stanley, manages to be as ebullient as ever. The first reason for his confidence, which he describes as "more solidly based" than it was a year ago, is that while a big loss was made on television receivers both by Pye and Ekco the group's non-domestic interests, which include scientific instruments, electronic equipment and telecommunications, continued to earn satisfactory profits. Moreover, overseas subsidiaries, notably in Australia, did well and the income from trade investments (which include Associated Television and British Relay) was higher. Secondly, the group now has complete executive control of Ekco. The first sign of this new policy is the re-organisation of Ekco's factory at Southend. Thirdly, the decision to introduce 625-line television in this country opens up, in Mr Stanley's opinion, "enormous possi-

COMPANY AFFAIRS

bilities" for the television manufacturers. Eventually, Mr Stanley says, every old television set will have to be replaced by a new one. BEI may have surplus capacity on its hands for some time. How much will it have to be reduced and what effect will this have on profits in the next year or so? How much in stocks of nearly £19 million represents 405-line-only television sets? And when sales expand again, may not the group have a financing problem on its hands? Mr Stanley's statement does not provide any answer to these questions, which are all pertinent to any consideration of the current price of 9s. 9d. for the 5s. shares and the nominal yield of 1.3 per cent.

Hawthorn Leslie



THE outlook for Britain's shipbuilders is bleak indeed. It is put squarely before the shareholders of the Tyneside shipbuilders, R. and W. Hawthorn Leslie, by the chairman, Sir Robin Rowell:

Under the present circumstances, the prospects of profitable trading for the company are not bright and I can only forecast a period of diminishing profits.

In the longer term however Sir Robin believes that older ships will have to be replaced by more modern vessels. In many cases these will be bigger and more specialised so that initially only a few will be ordered but it is his view that "in the end there must be an ever increasing demand for this type of replacement tonnage." He describes British prices as now being fully competitive with unsubsidised shipyards overseas but subsidies he says are depriving British builders of orders which would normally be placed here by foreign shipowners.

Hawthorn Leslie had ploughed back a substantial proportion of its profits in its more fruitful years, distributing rather less than one third of available earnings. This has prompted the directors in the latest year, when profits were more than halved, to reduce the dividend by only 5 points from 25 to 20 per cent. Their view is that in the lean years shareholders should derive some benefit from reserves built up in more prosperous times. The 10s. shares stand at 16s. 3d. to yield 12½ per cent. While shareholders seem certain to receive a "fair distribution" in the lean years ahead, the price reflects doubts whether this policy will be like that of P. & O. or whether the dividend each year will bear some relation to the company's trading experience.

Simms Motor and Birmid

THAT the suppliers of the motor industry are experiencing mixed trading conditions is shown by the results of these two companies. While Birmid Industries is

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able to report that its net profit for the year to July 31st was £17,000 higher at £1,377,177 and to leave its ordinary dividend unchanged at 20 per cent, Simms Motor & Electronics has halved its interim dividend from 5 to 2½ per cent, and reports that "the deterioration in profitability and general trading conditions... has continued." The two companies have in fact nothing in common except supplying the motor industry, and even here their markets are not identical, for Birmid sells to car and lorry makers, while Simms mostly supplies the commercial side of the industry. Birmid's main products are metal castings or forgings, mostly in light alloys; while Simms's most important product is fuel injection and electrical equipment for diesel engines.

In June, the chairman of Simms, Mr G. E. Liardet, told shareholders that the sharp fall in profits for 1961 resulted from reduced sales by Simms itself. When Simms is faced by competition from Lucas and its subsidiary CAV, also a maker of fuel injection equipment for diesel engines, Mr Liardet's remarks about the Government appearing to condone the domination of whole industries by vast organisations to the detriment of small or medium-sized firms take on a special significance. And it is probably competition from this quarter, combined with the fall in commercial vehicle production this year, that accounts for the present gloomy outlook.

By contrast Birmid's results were better than expected in view of the cautious tone of the interim statement when the directors reported "fairly well maintained" sales, lower profit margins and little sign of improvement in the remaining months of the year. In the event gross profits were just over 5 per cent lower at £2,852,000, but as a result of the smaller tax charge earnings were fractionally higher at 47½ per cent, to cover the maintained 20 per cent dividend up by 5s. 6d. to 7½s., to yield 5.6 per cent. The 5s. shares of Simms are close to their low point at 13s. 6d. This compares with a 1961 peak of 32s. 4½d. after allowing for the one for six rights issue at 21s. 6d. per share made in May last year.

THE ECONOMIST INDICATOR (1953=100)					
1962	Indicator	Yield %	1962		
Sept. 26	325.1	5.29			
Oct. 3	333.8	5.16	High		
" 10	334.2	5.16			
" 17	329.7	5.29	364.1		310.3
" 24	313.5	5.55	(Jan. 17)		(June 27)
" 31	330.3	5.20			
FINANCIAL TIMES INDICES					
1962	Index ↑	Ord. Yield	2½% Consols Yield	Bargains Marked	
Oct. 25	270.0	5.76	5.78	11,945	
" 26	270.1	5.77	5.83	10,392	
" 29	276.3	5.64	5.69	13,771	
" 30	275.8	5.63	5.72	11,464	
" 31	276.4	5.64	5.69	10,722	
High, 310.2 (Jan. 19). Low, 252.8 (June 28) ↑ July 1, 1955=100.					

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EXCHEQUER RETURNS

For the week ended October 27, 1962, there was an "above-line" deficit (after allowing for sinking funds) of £38,283,000 compared with a surplus of £3,072,000 in the previous week and a deficit of £24,852,000 in the corresponding period of last year. There was a net expenditure "below-line" of £24,852,000 leaving a total cumulative deficit to date of £596,544,000 compared with £708,687,000 in 1961-62.

£'000	Estimate 1962-63	April 1, 1961, to Oct. 28, 1961	April 1, 1962, to Oct. 27, 1962	Week ended Oct. 28, 1961	Week ended Oct. 27, 1962
Ordinary Revenue					
Income Tax	2,790,000	884,305	955,875	32,205	35,385
Surplus	188,000	48,200	53,100	1,300	1,400
Death Duties	264,500	149,800	145,900	4,800	4,400
Stamps	95,000	57,800	55,300	2,200	2,300
Profits tax, EPT and EPL	374,000	202,800	237,200	5,500	7,500
Other Inland Rev. Duties	...	...	...	...	...
Total Inland Rev.	3,711,500	1,342,905	1,447,375	46,005	50,985
Customs	1,653,000	935,477	958,703	34,669	32,593
Excise	1,077,000	513,390	538,655	16,960	15,025
Total Customs and Excise	2,730,000	1,448,867	1,497,358	51,629	47,618
Motor Duties	150,000	39,718	58,261	...	...
Broadcast Lic.	41,000	19,100	19,900	...	...
Miscellaneous	165,000	149,800	99,605	1,150	557
Total	6,797,500	3,006,390	3,122,499	98,784	99,160
Ordinary Expenditure					
Debt Interest	600,000	396,362	343,834	...	...
Payments to N. Ireland Exch.	100,000	48,961	52,994	3,893	4,074
PO Fund - Initial settlement	...	7,282	...	7,282	...
Other Consolidated Funds	12,000	4,835	4,429	653	27
Supply Services	5,611,650	2,901,138	3,095,065	129,384	133,081
Total	6,323,650	3,358,578	3,496,322	141,212	137,182
Sinking Funds	41,000	21,374	21,629	166	261
"Above-line" Surplus or Deficit		379,562	395,452	42,594	38,283
"Below-line" Net Expenditure		329,125	201,092	22,509	24,852
Total Surplus or Deficit		708,687	596,544	65,103	63,135
Net receipts from:					
Tax Reserve Certificates	160,538	94,220	19,633	1,376	
Savings Certificates	16,900	800	500	200	
Defence Bonds	18,050	10,408	454	1,022	
Premium Savings Bonds	24,000	20,800	1,300	1,200	
Total	189,488	124,628	19,977	3,798	

* 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		Total Floating Debt
	Tender	Tap	Public Dept.	Bank of England	
1961					
Oct. 28	3,280.0	2,003.2	211.5	...	5,494.6
1962					
July 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	1,963.6	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
" 13	3,010.0	1,598.3	215.2	...	4,823.6
" 20	3,020.0	1,595.6	204.1	...	4,819.7
" 27	3,040.0	1,637.6	201.0	...	4,878.5

Money and Exchanges

THE MONEY MARKET

THE discount market's reaction to the Cuban crisis was to reduce its agreed bid at the Treasury bill tender on Friday of last week by 7d. to 99 os. 8d., arguing that the crisis made an early reduction in Bank rate unlikely. The outsiders reduced their bids by a fraction more than this and the bill rate rose by ½ per cent, for the second week in succession, to 93 17s. 2.03d. per cent. At the same time, applications fell by £15 million to £382 million and the market's quota was 46 per cent compared with 38 per cent a week earlier. The market must now decide whether the end of the crisis also means the return of the possibility of a Bank rate cut. A wrong decision could mean low bill quotas.

Credit conditions changed abruptly this week. On two days last week the authorities sold very large numbers of bills to absorb the surplus credit; on Monday and Tuesday of this week the market's books were balanced only after very large bill purchases by the authorities.

Rates in the local authority market hardened to 4½ per cent for seven-day loans but then eased to around 4 per cent following an inflow of money mainly from the building societies and merchant banks.

MONEY RATES

LONDON			
Bank rate (from 5% 26/4/62)	4½	Market discount rates (3 months)	%
Deposits (7 days' notice)	2½	Treasury bills	3½-4
Banks	2½	Bank bills	4½-4¾
Discount houses	2½-2¾	Fine trade bills	5½-6½
Local Authorities	4½	Euro-dollar deposits	3½-3¾
Call money	4½	7 days' notice	3½-4
Clearing banks' minimum interest	2½	3 months' notice	3¾-4½
Day-to-day	2½-3½	Forward cover (3 months)	...
NEW YORK			
Official Discount rate (from 3½%, 11/8/60)	3	Treasury bills	%
		October 22	2-7½
		" 29	2-686

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits	Market Rates : Spot						
	October 31	October 25	October 26	October 27	October 29	October 30	October 31	
United States \$	2-78-2.82*	2-80 ¹ / ₁₆ -3 ¹ / ₁₆	2-80 ¹ / ₁₆ -3 ¹ / ₁₆	2-80-80 ¹ / ₁₆	2-80 ¹ / ₁₆ -3 ¹ / ₁₆	2-80 ¹ / ₁₆ -3 ¹ / ₁₆	2-80 ¹ / ₁₆ -3 ¹ / ₁₆	
Canadian \$	13-622-14-027	3-01 ¹ / ₂ -3 ¹ / ₂	3-01 ¹ / ₂ -3 ¹ / ₂	3-01 ¹ / ₂ -3 ¹ / ₂	3-01 ¹ / ₂ -3 ¹ / ₂	3-01 ¹ / ₂ -3 ¹ / ₂	3-01 ¹ / ₂ -3 ¹ / ₂	
French Fr.	11-94-12-54 ¹ / ₂	13-72 ¹ / ₂ -14 ¹ / ₂	13-72 ¹ / ₂ -14 ¹ / ₂	13-71 ¹ / ₂ -72 ¹ / ₂	13-72 ¹ / ₂ -14 ¹ / ₂	13-72 ¹ / ₂ -14 ¹ / ₂	13-72 ¹ / ₂ -14 ¹ / ₂	
Swiss Fr.	137-96	12-08 ¹ / ₂ -9	12-08 ¹ / ₂ -9	12-08 ¹ / ₂ -9	12-09 ¹ / ₂ -9	12-08 ¹ / ₂ -9	12-08 ¹ / ₂ -9	
Belgian Fr.	142-05	139-35	139-35	139-32 ¹ / ₂	139-35	139-37	139-35	
Dutch Gld.	9-98 ¹ / ₂ -10-28 ¹ / ₂	10-10-10 ¹ / ₂	10-10-10 ¹ / ₂	10-10 ¹ / ₂ -11	10-10 ¹ / ₂ -11	10-10 ¹ / ₂ -11	10-11 ¹ / ₂ -11	
W. Ger. D-Mk.	11-037-11-365	11-223-23	11-223-23	11-223-23	11-23-23 ¹ / ₂	11-23-23 ¹ / ₂	11-23 ¹ / ₂ -24	
Portug. Esc.	80-15-25	80-15-25	80-15-25	80-15-25	80-15-25	80-15-25	80-15-25	
Italian Lire	1725-1775	1738-38 ¹ / ₂	1737 ¹ / ₂ -38 ¹ / ₂	1737 ¹ / ₂ -38 ¹ / ₂	1738-39	1738-39	1738 ¹ / ₂ -39	
Swedish Kr.	14-27 ¹ / ₂ -14-70	14-43-43 ¹ / ₂	14-42 ¹ / ₂ -43 ¹ / ₂	14-42 ¹ / ₂ -43 ¹ / ₂	14-43 ¹ / ₂ -34	14-43 ¹ / ₂ -34	14-43 ¹ / ₂ -34	
Danish Kr.	19-06 ¹ / ₂ -19-62	19-39 ¹ / ₂ -7 ¹ / ₂	19-39 ¹ / ₂ -7 ¹ / ₂	19-39 ¹ / ₂ -7 ¹ / ₂	19-39 ¹ / ₂ -7 ¹ / ₂	19-38 ¹ / ₂ -39	19-38 ¹ / ₂ -39	
Norwegian Kr.	19-71-20-30 ¹ / ₂	20-03 ¹ / ₂ -3 ¹ / ₂	20-03 ¹ / ₂ -3 ¹ / ₂	20-03 ¹ / ₂ -4	20-03 ¹ / ₂ -7 ¹ / ₂	20-03 ¹ / ₂ -7 ¹ / ₂	20-03 ¹ / ₂ -7 ¹ / ₂	
* Official Limits								
One Month Forward Rates								
United States \$	1 ¹ / ₂ c. pm-par	1 ¹ / ₂ c. pm-par	1 ¹ / ₂ c. pm-par	1 ¹ / ₂ c. pm-par	1 ¹ / ₂ c. pm-par	1 ¹ / ₂ c. pm-par	1 ¹ / ₂ c. pm-par	
Canadian \$	1 ¹ / ₂ c. dis	1 ¹ / ₂ c. dis	1 ¹ / ₂ c. dis	1 ¹ / ₂ c. dis	1 ¹ / ₂ c. dis	1 ¹ / ₂ c. dis	1 ¹ / ₂ c. dis	
French Fr.	1 ¹ / ₂ c. pm	1 ¹ / ₂ c. pm	1 ¹ / ₂ c. pm	1 ¹ / ₂ c. pm	1 ¹ / ₂ c. pm	1 ¹ / ₂ c. pm	1 ¹ / ₂ c. pm	
Swiss Fr.	1 ¹ / ₂ -1c. pm	1 ¹ / ₂ -1c. pm	1 ¹ / ₂ -1c. pm	1 ¹ / ₂ -1c. pm	1 ¹ / ₂ -1c. pm	1 ¹ / ₂ -1c. pm	1 ¹ / ₂ -1c. pm	
Belgian Fr.	20-15c. pm	20-15c. pm	20-15c. pm	20-15c. pm	20-15c. pm	20-15c. pm	20-15c. pm	
Dutch Gld.	1 ¹ / ₂ -1 ¹ / ₂ c. pm	1 ¹ / ₂ -1 ¹ / ₂ c. pm	1 ¹ / ₂ -1 ¹ / ₂ c. pm	1 ¹ / ₂ -1 ¹ / ₂ c. pm	1 ¹ / ₂ -1 ¹ / ₂ c. pm	1 ¹ / ₂ -1 ¹ / ₂ c. pm	2-1 ¹ / ₂ c. pm	
W. German D-Mk.	1 ¹ / ₂ -1 ¹ / ₂ c. pm	1 ¹ / ₂ -1 ¹ / ₂ c. pm	1 ¹ / ₂ -1 ¹ / ₂ c. pm	1 ¹ / ₂ -1 ¹ / ₂ c. pm	1 ¹ / ₂ -1 ¹ / ₂ c. pm	1 ¹ / ₂ -1 ¹ / ₂ c. pm	1 ¹ / ₂ -1 ¹ / ₂ c. pm	
Three Months Forward Rates								
United States \$	1 ¹ / ₂ -1 ¹ / ₂ c. pm	1 ¹ / ₂ -1 ¹ / ₂ c. pm	1 ¹ / ₂ -1 ¹ / ₂ c. pm	1 ¹ / ₂ -1 ¹ / ₂ c. pm	1 ¹ / ₂ -1 ¹ / ₂ c. pm	1 ¹ / ₂ -1 ¹ / ₂ c. pm	1 ¹ / ₂ -1 ¹ / ₂ c. pm	
Canadian \$	1 ¹ / ₂ -1 ¹ / ₂ c. dis	1 ¹ / ₂ -1 ¹ / ₂ c. dis	1 ¹ / ₂ -1 ¹ / ₂ c. dis	1 ¹ / ₂ -1 ¹ / ₂ c. dis	1 ¹ / ₂ -1 ¹ / ₂ c. dis	1 ¹ / ₂ -1 ¹ / ₂ c. dis	1 ¹ / ₂ -1 ¹ / ₂ c. dis	
French Fr.	2 ¹ / ₂ -2 ¹ / ₂ c. pm	2 ¹ / ₂ -2 ¹ / ₂ c. pm	2 ¹ / ₂ -2 ¹ / ₂ c. pm	2 ¹ / ₂ -2 ¹ / ₂ c. pm	2 ¹ / ₂ -2 ¹ / ₂ c. pm	2 ¹ / ₂ -2 ¹ / ₂ c. pm	2 ¹ / ₂ -2 ¹ / ₂ c. pm	
Swiss Fr.	3 ¹ / ₂ -3 ¹ / ₂ c. pm	3 ¹ / ₂ -3 ¹ / ₂ c. pm	3 ¹ / ₂ -3 ¹ / ₂ c. pm	3 ¹ / ₂ -3 ¹ / ₂ c. pm	3 ¹ / ₂ -3 ¹ / ₂ c. pm	3 ¹ / ₂ -3 ¹ / ₂ c. pm	3 ¹ / ₂ -3 ¹ / ₂ c. pm	
W. German D-Mk.	3 ¹ / ₂ -3 ¹ / ₂ c. pm	3 ¹ / ₂ -3 ¹ / ₂ c. pm	3 ¹ / ₂ -3 ¹ / ₂ c. pm	3 ¹ / ₂ -3 ¹ / ₂ c. pm	3 ¹ / ₂ -3 ¹ / ₂ c. pm	3 ¹ / ₂ -3 ¹ / ₂ c. pm	3 ¹ / ₂ -3 ¹ / ₂ c. pm	
Gold Price at Fixing								
Price (s. d. per fine oz.)	251/2½	251/2	251/2	250/11½	250/11½	250/11½	250/11½	
(\$ per 100 gms.)	35-18	35-17½	35-17½	35-13½	35-13½	35-12½	35-12	

UK External Trade

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

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

BRITISH			
Prices and Wages.....	Oct. 27th	External Trade.....	This week
Manpower and Output....	Oct. 6th	Industrial Profits.....	Oct. 13th
OVERSEAS			
Western Europe.....	Oct. 20th	United States.....	Sept. 15th

	Unit	Monthly averages			1961			1962				
		1959	1960	1961	July	August	Sept.	May	June	July	Aug.	Sept.
VALUE												
Imports:	£ million	331.9	378.4	366.5	350.2	358.8	343.1	411.6	369.9	387.2	382.2	343.4
Total		126.5	128.1	123.6	114.5	113.9	123.1	153.1	131.7	133.4	126.3	117.3
Food, drink and tobacco		77.6	88.3	82.1	76.8	87.0	71.9	80.7	73.4	77.2	79.3	69.0
Basic materials		38.9	40.0	40.3	41.3	38.7	35.3	48.9	44.3	47.5	52.7	43.7
Fuels		87.6	120.5	118.9	116.1	117.8	111.3	127.7	119.1	127.5	122.5	111.1
Manufactures												
Exports of UK produce:												
Total		277.5	296.2	306.9	308.7	305.2	260.5	337.6	317.0	327.8	289.8	284.9
Manufactures—Total		234.5	250.0	259.9	263.8	259.6	215.6	286.6	272.0	279.1	240.8	234.8
Metals		37.8	39.3	39.5	40.8	35.9	30.7	43.6	38.0	41.2	36.0	36.0
Engineering products		122.4	131.0	139.5	140.0	148.3	112.0	152.1	151.2	152.7	123.8	124.1
Textiles		20.7	21.7	20.8	21.4	19.1	18.1	22.4	21.3	20.9	19.8	17.5
Re-exports		10.9	11.8	13.2	14.4	13.4	12.5	15.6	13.4	12.3	10.6	10.5
Balance of trade (exports less imports)		-43.5	-70.4	-46.4	-27.1	-40.2	-70.1	-58.4	-39.5	-47.1	-81.8	-48.0
VOLUME (%)												
Imports:	1954=100	122	138	135	128	128	128	140	138	138	138	138
Total		118	121	121	115	115	115	131	121	121	121	121
Food, drink and tobacco		101	110	101	94	94	94	101	96	96	96	96
Basic materials		143	157	164	155	155	155	178	161	161	161	161
Fuels		150	201	196	187	187	187	202	191	191	191	191
Manufactures												
Exports:		116	122	125	119	119	119	133	122	122	122	122
Total		117	124	127	121	121	121	135	122	122	122	122
Manufactures												
BY AREA												
Imports:	£ million	30.9	47.1	40.2	28.3	36.2	40.9	40.5	35.7	37.1	34.0	37.7
USA		26.0	31.2	29.1	29.4	31.5	27.5	32.9	30.1	31.8	24.7	25.9
Canada		26.8	25.9	23.2	24.2	21.8	18.4	31.7	25.6	29.8	28.8	17.4
Latin America		46.6	55.1	56.5	57.2	56.3	53.7	63.3	66.3	59.0	58.6	55.3
West'n. Europe—Common Market		39.0	46.5	46.2	48.8	47.2	46.3	48.5	44.6	49.5	46.5	45.6
Free Trade Association (?)		9.7	11.6	13.0	13.5	16.7	14.9	10.3	14.4	13.9	15.8	14.6
Soviet Eastern Europe		32.7	35.6	35.7	28.1	29.0	28.2	43.4	35.8	29.2	38.5	30.6
Other Non-Sterling												
Sterling area		120.2	125.5	122.6	120.7	120.1	113.2	141.0	117.4	136.9	125.3	116.3
Exports of UK produce:												
USA		30.0	27.1	23.4	23.3	25.2	23.7	30.3	26.1	27.4	25.9	25.9
Canada		17.3	17.9	18.5	18.1	18.7	12.3	17.0	17.5	18.3	15.0	13.6
Latin America		12.9	14.3	13.9	14.7	12.7	12.2	15.7	13.4	18.0	12.5	10.6
West'n. Europe—Common Market		38.8	43.3	51.1	53.2	46.4	44.7	65.7	58.2	66.1	54.5	54.2
Free Trade Association (?)		32.0	35.9	40.1	40.3	34.2	36.8	46.6	40.9	41.8	37.0	39.2
Soviet Eastern Europe		5.1	6.4	8.8	8.7	9.7	7.7	8.2	8.6	9.6	9.3	9.3
Other Non-Sterling		29.6	32.2	34.3	36.6	33.9	28.6	37.8	37.4	34.1	32.2	29.5
Sterling area		111.8	119.1	116.8	113.8	124.4	94.5	116.3	114.9	112.5	103.4	102.6
TRADE IN SELECTED COMMODITIES												
Imports:	'000 tons	356.3	342.0	327.5	323.0	350.6	269.1	374.9	364.0	330.7	371.6	243.5
Wheat		67.6	69.3	61.2	68.0	51.3	53.5	73.0	48.6	74.3	62.4	49.8
Meat		201.8	183.3	172.4	140.2	172.1	148.2	228.4	192.9	161.9	114.1	152.7
Sugar, unrefined												
Raw cotton (?)		22.5	22.5	18.4	9.8	16.0	10.9	20.4	19.9	13.9	14.5	11.9
Raw wool, sheep's and lambs' (?)	mn. lb.	58.6	49.8	49.4	42.4	32.0	18.9	58.8	34.7	49.2	33.6	23.8
Rubber, natural and synthetic (?)	'000 tons	17.0	16.2	16.2	11.5	18.9	12.2	11.2	12.3	12.0	19.7	15.9
Softwood	'000 stds.	121.7	150.0	134.2	179.0	202.3	171.1	107.5	168.7	191.3	202.9	161.2
Woodpulp	'000 tons	185.4	225.4	215.1	161.4	193.0	196.3	214.8	189.4	186.9	215.4	201.6
Crude petroleum	mn. galls.	847	963	1,059	1,080	1,065	895	1,186	1,145	1,234	1,397	1,137
Exports of UK produce:												
Coal, including bunkers	'000 tons	343	455	475	493	382	469	389	348	500	405	354
Woven piece-goods—cotton	mn. sq. yds.	29	27	24	23	21	22	19	21	17	17	16
Wool	'000 sq. yds.	8,536	8,089	7,528	8,387	7,964	6,211	6,895	8,269	7,807	8,385	5,677
Passenger cars and chassis	number	47,414	47,491	30,897	31,497	27,968	28,180	45,935	49,899	49,024	36,750	44,429
Commercial vehicles and chassis		10,619	12,127	13,913	14,877	11,428	10,914	13,688	12,685	13,061	9,541	11,078
Agricultural tractors		9,474	11,951	11,790	13,318	11,470	10,163	13,727	13,804	12,912	9,901	12,298
Machinery—electrical	£'000	5,706	5,257	5,506	5,729	4,758	4,199	5,943	6,351	5,814	6,141	4,442
other		47,264	52,948	61,374	62,323	56,925	53,605	67,888	63,730	64,631	56,138	53,702
Chemicals, elements and compounds		5,862	6,442	6,422	5,972	5,620	5,885	7,321	6,452	6,876	6,492	6,136

(1) Trade with the Channel Islands is included in the total import and export indices only. (2) Retained imports. (3) Including Finland. (4) Average for first quarter. (5) Average for second quarter. (6) Average for third quarter.

APPOINTMENTS

BROWN & POLSON

PRODUCTION PLANNING

Brown and Polson Limited, a part of an international group of industrial chemical and food manufacturers, requires an Assistant to the Group Production Planner at its Industrial Group Plant at Manchester, which is expanding its production.

The successful applicant will control a small production scheduling team which is responsible for the overall production of the Manchester Plant.

Candidates should be Graduates in the 21-25 age range with a knowledge of mathematics or statistics to at least G.C.E. Advanced level, which they should be capable of applying to production planning problems after a training period. It is also desirable that they should have an appreciation of industrial organisation gained from either practical experience or academic study. Preference will be given to applicants who have had experience of similar work in a continuous production chemical processing industry but this is not essential as a comprehensive training programme will be arranged to suit the needs of the successful candidate.

A good commencing salary will be paid and in addition the Company operates an attractive Profit Payment Scheme, Contributory Pension and Free Life Assurance.

Applications in writing, which will be dealt with in the strictest confidence, giving details of age, qualifications and experience, should be addressed to:

Personnel Adviser, Brown and Polson Limited,
Trafford Park, Manchester 17.

NATIONAL UNION OF BANK EMPLOYEES

Applications are invited for the post of Assistant General Secretary, National Union of Bank Employees. Commencing remuneration not less than £1,425 per annum. Candidates should apply in writing before November 25, 1962, to the General Secretary, National Union of Bank Employees, 28 Old Queen Street, Westminster, London, S.W.1, and mark "AGS" on the top left-hand corner of the envelope.

For further appointments and other classified advertisements see page 518

STANDARD TELEPHONES AND CABLES LIMITED

MARKET RESEARCH

An Assistant is required by our Private Communications Equipment Division, with a minimum educational standard up to "A" Level and with a fairly good knowledge of economics, to undertake the full range of techniques associated with market research.

Some commercial experience would be most useful and a technical background would be desirable, although this need not necessarily be formal. A knowledge of the structure of industry, together with some experience of statistical and survey techniques, is essential.

The Division is located at Fourcra, a pleasant residential district, only 13 miles from central London.

The Company operates a wide range of benefits, including a NON-CONTRIBUTORY Pension Scheme.

Apply, stating qualifications, experience and salary, to: W. J. YOUNG, Personnel Manager, Standard Telephones and Cables Limited, Private Communications Equipment Division, Fourcra, Sidcup, Kent.

UNIVERSITY OF KEELE

Applications are invited for the post of Lecturer or Assistant Lecturer in Economics. Appointment to commence January 1, 1963, if possible. Salary in scale £1,150 x £50 — £1,400 x £75 — £1,950 p.a. (Efficiency Bar at £1,450). Lecturer, or £1,450 — £1,950 p.a. (Assistant Lecturer), with F.S.S.U. and children's allowances. Applications should reach the Registrar, The University, Keele, Staffordshire, before November 24, 1962. Further particulars and application forms may be obtained, not later than November 24, 1962.

AUSTRALIA (NEW SOUTH WALES)

THE NEWCASTLE INDUSTRIAL PROMOTION PANEL

invites applications for the position of RESEARCH OFFICER

recently established by the Panel.

Recent graduates in Economics or Commerce or Arts, majoring in economics, will be considered for the position which will be for three years, subject to extension by negotiation.

The commencing salary is £2,000 per annum.

The officer will work under the supervision of the Director of Research of the Hunter Valley Research Foundation and will be located at the Foundation's Research Centre in Newcastle. Through the Director of Research and the Town Clerk of Newcastle, he will be responsible to the Newcastle Industrial Promotion Panel.

The Industrial Promotion Panel is conducting a vigorous campaign to attract new industries to the Newcastle Region and to stimulate economic activity. Contact with a wide range of interested bodies has already been established. Duties will include the collection, analysis and publication of data relating to the Newcastle Region of New South Wales; the presentation of industry studies and the investigation and analysis of costs and other factors bearing on the establishment of new industries in the Region.

Further particulars are available from: The Town Clerk (Secretary to the Panel), Box 499, P.O., Newcastle, 2N, N.S.W., Australia, with whom applications close on November 30, 1962.

SUBSCRIPTIONS TO THE ECONOMIST Annual Postal Subscription by ordinary mail, UK and Canada £4 10s; elsewhere overseas £5 By air see below

Australia		Air Freight		Europe		Air Freight		Israel		Air Freight		Philippines		Air Freight	
Quebec and Ontario	£10 10s.	or £31 80	or £25 00	Ghana	£10 10s.	£6 10s.	£6 10s.	Japan	£12 15s.	—	—	Rhodesia	£10 10s.	—	—
Provinces	£10 10s.	or £31 80	or £25 00	Gibraltar, Malta	£5 0s.	—	—	Jordan	£7 15s.	—	—	South Africa	£10 10s.	—	—
Other Provinces	£10 10s.	or £31 80	or £27 25	Hongkong	£10 10s.	£8 15s.	£8 15s.	Lebanon	£7 15s.	—	—	S. and C. America	£10 10s.	—	—
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China	£12 15s.	—	—	Indonesia	£10 10s.	—	—	New Zealand	£12 15s.	—	—	USA	£29 50 or £10 10s.	—	—
East Africa	£10 10s.	—	—	Iran and Iraq	£7 15s.	—	—	Pakistan	£10 10s.	—	—	West Indies	£10 10s.	—	—

NOTES: Air freight is normally 24/48 hours slower than air-mail. Proportionate Rates are acceptable for subscriptions for less than a year (minimum four weeks). H.M. Forces at official service addresses can enter Airmail Subscriptions in Europe at £5, elsewhere overseas at £7 15s. a year; surface mail rates are shown above.

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NABISCO FOODS LIMITED

Welwyn Garden City, Herts.

invites applications for the position of

RESEARCH OFFICER

to be responsible for the New Products Manager for the direction and supervision of all research appertaining to the marketing of existing and new products.

Ideal candidate will have at least three years' market and consumer research experience including product testing, motivation research and pre- and post-testing of advertisements. He will be looking for a progressive career in industry and be equipped in personality and temperament to become a vital part of a young management team occupied with the task of widening and diversifying the Company's range of products.

Applicants invited to write, stating age, educational background, qualifications, experience, present position and present salary, to DIRECTOR OF PERSONNEL.

THE PIG INDUSTRY DEVELOPMENT AUTHORITY

invites applications from graduates for a post as

STATISTICIAN/BIOMETRICIAN

Practical experience of statistical methods related to nutritional and genetic experiments with animals and experience with a Punch Card installation would be an advantage. The person appointed will be based on the London office. Commencing salary according to age, experience and qualifications on the scale £1,700 x £75 — £2,400. A contributory pension scheme is in operation.

Application forms, available from 15 R'dmount Street, London, W.C.1, should be returned by November 24, 1962.

HARMONY GOLD MINING COMPANY LIMITED

(Incorporated in the Republic of South Africa)

Extracted from the Annual Report for the year ended 30th June, 1962

Ore Milled	2,357,000 tons.	Slime treated for Uranium Oxide	2,122,600 tons.
Gold yield		Uranium Oxide yield	
oz. fine	dwt. per ton	lbs.	lb. per ton
954.587	8.1	915.804	0.431
Pyrites concentrate recovered	33,523 tons		
Sulphuric Acid produced	36,093 tons		

Gold		Per ton milled
Total Working Revenue	R23,903,239	R10.14
Total Working Expenditure	14,766,127	6.26
Working Profit	9,137,112	3.88
Uranium, Pyrites and Sulphuric Acid:		
Working Profit	3,757,353	
Total Working Profit	12,894,465	
Sundry Revenue, less Expenses	89,555	
Total Profit	12,984,020	
Provision for loss on Virginia-Glen Harmony railway line	80,000	
Profit before Taxation	12,904,020	
Taxation	3,880,872	
Profit after Taxation	9,023,148	
Balance of Income and Expenditure Account at 30th June, 1961	5,158,141	
	R5,040,000	R14,181,289
Dividends declared Nos. 11 and 12, each of 14c per share		
Transfer to Capital Reserve:		
Expenditure on mining assets and trade investments	R2,094,518	
Repayment on account of capital portion of uranium, pyrites and other loans	1,818,065	
	3,912,583	
Less Interest free uranium loan	634,000	
	3,278,583	8,318,583
Balance of Income and Expenditure Account at 30th June, 1962		R5,862,706

The full Report and Accounts may be obtained from the London Secretaries, A. Meir & Co., Ltd., 4, London Wall Buildings, London, E.C.2.



Managing Directors

The choice of a whisky to send to your fellow-directors or clients at Christmas time is often not an easy one. There are many fine whiskies on the market, but specially recommended is a rather more exclusive than average blend, the Grand Macnish. This light de luxe whisky retains the true flavour of the Highland malt whiskies, and has a delicate quality which once tasted is never forgotten. Available from your wine merchant. In decanter bottles packed in presentation boxes.

Sole agents in England and Wales:
ATKINSON, BALDWIN & CO. LTD.
46 Glasshouse Street,
Regent Street, London, W.1.

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To the established motor trader, large or small, Lloyds & Scottish offers a first-class hire purchase service backed by ample resources and 40 years' experience in helping dealers to develop their business on sound and profitable lines.

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Dealers are notified as contracts are completed and a letter of appreciation is sent to the hirer; the aim being always to satisfy each customer so that he will want to come back to you for his next car. Credit life insurance is available to customers, and dealers are offered a variety of facilities—e.g. for extension of premises, or for stocking.

to buy

The family that needs a car—or the firm that needs a fleet—will receive equally prompt and friendly service from Lloyds & Scottish to finance the purchase in the most convenient way. With the backing of two great banks, Lloyds & Scottish can well offer competitive terms and consideration for special circumstances.

If your present car has reached a certain age, it may pay you to change it before expensive repairs are needed. Lloyds & Scottish help by making it possible to buy the car of your choice at the right moment.

The agreement is simple and straightforward; various methods of instalment payments can be arranged; and if you wish, life insurance (a wise precaution) can be included at nominal cost. When you are thinking of changing your car, simply tell the dealer that you would like the hire purchase arranged through Lloyds & Scottish.

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Lloyds & Scottish has a capital of £15,000,000 and assets exceeding £100,000,000. It has the financial backing of Lloyds Bank and National Commercial Bank of Scotland. Through its network of local offices in over 80 large towns it provides a comprehensive service covering all forms of hire purchase, and it has established a reputation for efficient and courteous service to all its customers. Enquiries are welcomed at any branch, or may be sent to the address below.



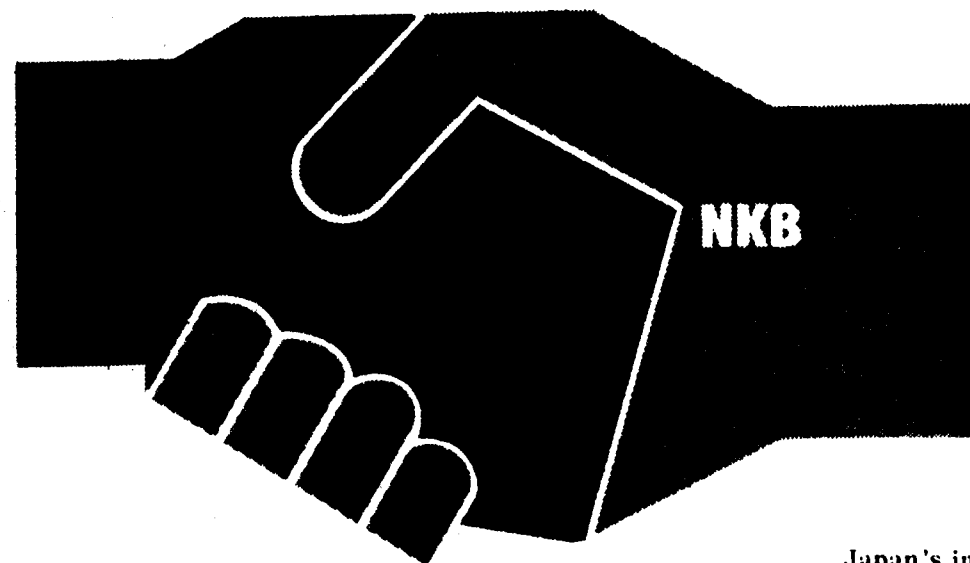
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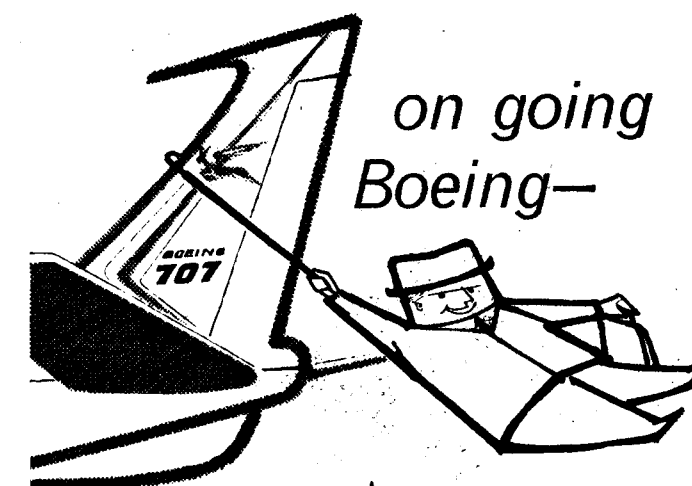
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ELECTORS AND GOVERNMENTS

FRANCO-GERMAN UNCERTAINTIES
BOGEYS FOR BRITISH BY-ELECTIONS

CANADA

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THE LEAKING DYKE PAGE 782

CHINA MAO THE MODERATE

INTERNATIONAL BANKING PAGES 791 TO 834



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INTERNATIONAL

MEN OF PEACE

The Chinese, having won more than they probably want to keep, are in an admirable position to bargain with the Indians—and to say "I told you so" to the Russians (p. 744).

This Chinese lesson for the Soviet Union is being driven home with theological fervour (p. 747).

Mr Khrushchev, meanwhile, has drawn up an economic balance sheet of the last four years (p. 781).

Mr Nehru's problem is changed, but not removed, by this outbreak of Chinese peace (p. 777).

Mr Khrushchev and Mr Kennedy continue, with impeccable courtesy, to see eye to eye over the Cuban crisis (p. 747). While the United Nations appears to want to talk about anything rather than Cuba—or India and China—some laurels should be handed to the acting secretary-general (p. 776).

Mr. Malcolm MacDonald may be a better troubleshooter in Kenya than Sir Patrick Renison was; the pity may be that he did not take over sooner (p. 750).

OLD MEN SEE VISIONS

The general in France, the doctor in Germany, move in their own mysterious ways.

But for the British to decide that they are bad company would be a self-destructive act of political snobbery (p. 741).

General de Gaulle's victory at the elections may give him an obedient parliament but in the end it may be the French communists who are grateful (p. 778).

Dr Adenauer has been given a fortnight's grace to try to repair the damage of the Spiegel affair (p. 778).

Lord Avon recalls, in his memoirs, how often he thought and said the right things—the reader remarks how often the wrong things happened (p. 760).

YOUNG MEN DREAM DREAMS

The common market negotiators talk about tinned salmon—and think about political union (p. 747). Some of the disagreements between the Six themselves are now out in the open (p. 748). A senior British economist advocates world free trade, or simply British free trade, as an alternative to entry to the common market (p. 753).

In Mississippi, the struggle between President Kennedy and the Governor drags on (p. 768).

Our special correspondent, on a second visit to Canada, finds that although Canadians, after a summer of financial and political crisis, are certain that profound changes are needed in their economic policy, they are far from certain what these changes should be (p. 787-p. 790).

At least the Canadian government is feeling a lot better than it did during the humiliating days six months ago (p. 782).

King Hassan of Morocco has been pushed towards a constitution sooner than he meant (p. 753).

MEN AND MONEY

The more the United States foreign aid agency changes, the more it stays the same (p. 767). In foreign trade it is now the United States that appeals to tradition (p. 768).

A row is brewing in Gatt between the under-developed countries and the rest (p. 845).

The American automobile industry is booming (p. 771).

Funds are being raised for at least seventy cultural centres in the United States (p. 772).

HOME

BIG BUILD-UP

London's Local Government Bill is an earnest of the intention to refurbish Britain's city administrations: but it too timidly shirks the need for a real reform on the road to true regional planning (p. 745).

A vastly more efficient construction industry is needed for the rebuilding of Britain: nothing could achieve this so well as new co-operation between its chaotic and dissident parts (p. 785).

The 531 town clerks of English and Welsh boroughs are truly admirable people: but will they be the right people in the coming struggle for urban renewal? (p. 757).

The regional development councils in the United Kingdom's depressed areas provide in embryo information and experience for the regional authorities of the future (p. 758).

SMALL SHOW-DOWN

Thursday's five by-elections will at last show whether the opinion polls have been right in showing a Tory recovery from last summer's low—and as a result could determine Government policy both on a general election and on the common market (p. 742).

This session's crop of private members' bills is headed by three Labour men's proposals, the best of which is Mr Abse's divorce reform; some Tory private members, though lower down the list, may benefit from Government support (p. 748).

A Home Office committee is to examine jury service—with a special look at the shortage of women jurors (p. 749).

Freed by last year's legislation, gambling is said to take up over £1,000 million a year: even though there is an unpopular economic argument that this is a form of saving, a good

INTERNATIONAL

BANKING pages 791 to 834

deal of it should be immediately taxed away (p. 750).

Gratifying as it may seem, the National Coal Board is seen in Europe as a dangerous low-cost rival to continental producers (p. 838).

The cause of compensation for redundant workers—and of a national jobs insurance scheme—is acquiring new supporters every day (p. 754).

The problems of hire purchase businesses have moved from the home to the overseas front (p. 838).

Detailed contents on page 741



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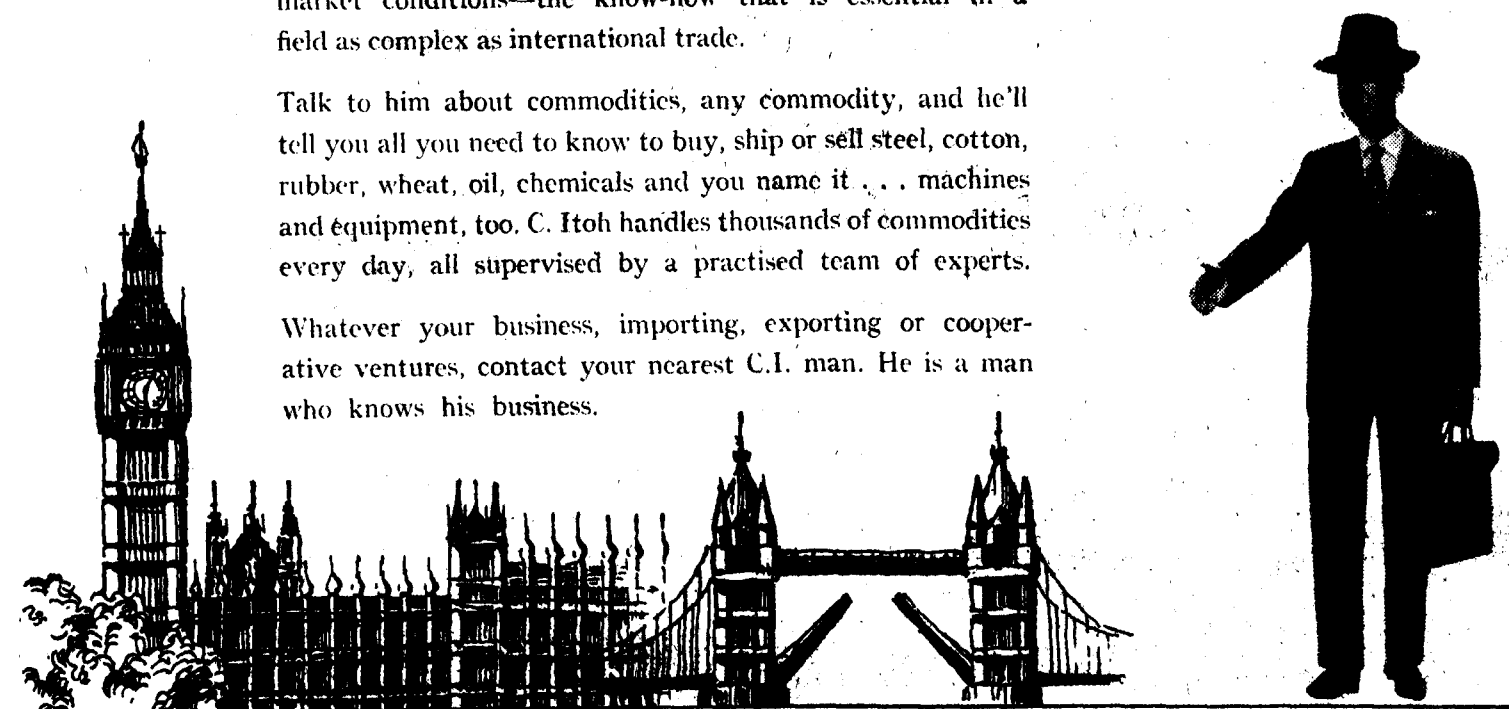
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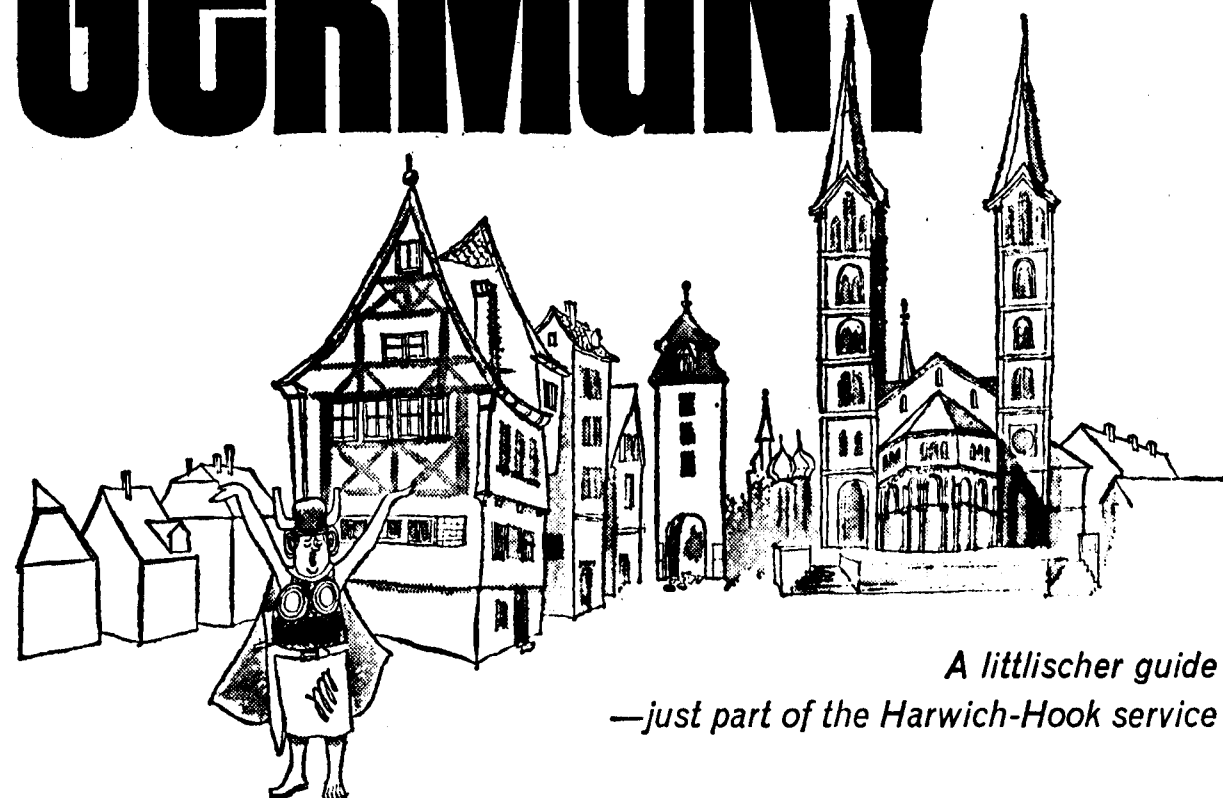
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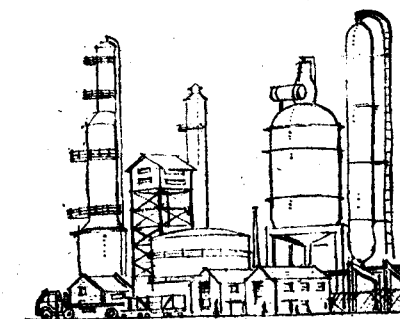


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NOVEMBER 24, 1962

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Franco-German Uncertainties

EVENTS in west Germany and in France this week have given the British food for thought about the political future in the great states of western Europe with which Britain is seeking partnership in the common market. Lord Boothby may have had his tongue in his cheek when he wrote to *The Times* on November 11th that Britain ought to break off the negotiations for entry into the common market because, he said, General de Gaulle's unconstitutional actions, and the behaviour of the Adenauer government in the *Spiegel* case, showed that neither France nor west Germany was a democracy "in the sense that we understand the term." He quickly explained that he had written this to give Mr Heath a bit of backing in his talks at Brussels. In short, it was the stickiness of the French and Germans in negotiation, more than their domestic political errors, that had incensed him. Poor Mr Heath can hardly take the Boothby line; he will not get better terms for newsprint and pigmeat by pointing out to the French and Germans how much their political habits leave to be desired.

All the same, the British are very much concerned with whether France and west Germany are democracies or not, and with what their political future may be. To take France first, British feelings about General de Gaulle's rule have always been mixed. On the one hand, because of his record and his qualities, the general is personally respected in this country, and even widely admired, as was clearly shown by the reception he got when he visited London in 1960. On the other, the manner in which the Fourth Republic was brought down in 1958 made a disagreeable impression. The British dislike anything that looks like an authoritarian form of government; they have not noticed any great friendliness to themselves in French government attitudes since the general took over; and they like to feel that they know where a country is going.

What has happened in France in October and November has not given them any cause for encouragement. In calling for his referendum in October General de Gaulle ostentatiously overrode the constitution and forced the traditional republican parties to challenge him. He appeared bent on breaking those parties, who represent the entire middle belt of French politics between his own UNR and the communists. He has since virtually confirmed that this was his intention, notably in his election broadcast on November 7th, when he declared that the referendum had made plain "that the parties of the past, even when a common professional passion unites them for a moment, do not represent the nation."

Plainly he thought this an excellent thing to prove; one would have preferred him, to the extent that it may have been true, to devote some of his prestige and his power to changing it for the better. As things have turned out (and so far as the first ballot can be conclusive), it does seem that he has had a resounding success in changing things for the worse. The general's own party has had a triumph; the communists have recovered some of their lost voting strength; between these two, the traditional republican parties have been squeezed dry. Thus General de Gaulle seems assured of a clear run of some years of immunity from any serious danger that his actions may be questioned by parliament. But what is parliament's future, with those parties reduced to impotence? What assurance does France have of the future continuity of its government? Gaullist rule is peculiar in combining personal rule with civilised

manners and a civilised treatment of the individual. In short, it reflects the general's personal qualities; but who knows what qualities it will reflect when he is gone? In choosing, quite unnecessarily, to crush the only possible alternative, he is shouldering a heavy responsibility.

West German politics in recent weeks have presented a picture not less baffling, and more unsavoury. Since October 26th, the date of the police raid on the Hamburg weekly, *Der Spiegel*, questioning and probing by politicians and journalists have brought out one deplorable aspect after another of the system of government that has grown up in the thirteen years of Dr Adenauer's dominance. They have not brought out who decided to take this action, or on what grounds, or, except patchily, through what channels the decision was communicated and carried out. The ministers concerned have made a shifty impression under public questioning—some because they had something to hide, others because they do not seem to have known what was going on under their nominal authority.

In the end, the spotlight having settled on the person of the defence minister, Herr Strauss, the Free Democrats on Monday withdrew their ministers from the government to enforce a cabinet reshuffle in which, they hope, Herr Strauss will disappear. No hope has yet been voiced that Dr Adenauer, too, will disappear, but two leading men of Dr Adenauer's own party, Herr Dufhues and Herr Krone, themselves declared last Sunday that the government must be reconstructed in order that public confidence might be restored. Indeed it must; but the things that have been shown to be wrong are bigger than a mere reshuffle will cure. If the ministers cannot answer for what their ministries do, then parliament is not in a position to control the executive; and the German Federal Republic is enjoying not responsible

government, but merely the facade of it.

Much to the credit of the west German public, these implications of the *Spiegel* case have not been overlooked. There is no sign of a complacent surrendering of authority to a monarch, as in France; but then, west Germany has no de Gaulle. What can be heard is an uneasy questioning by the Germans, whether the Bonn Republic is, after all, any sounder or stronger in itself than the Weimar Republic was. To put the question is not to provide the answer. The shock to German opinion may have come in time, and may do good. For the moment, it is enough to record that the Bonn edifice, in its constitutional and parliamentary aspects, has shown premature signs of dry-rot; that the Germans are well aware of these signs and find them alarming; but that the disease is more easily diagnosed than cured.

WHAT Britain can do about any of this is limited. It is right to be uneasy, but wrong to act the pharisee; the British have had more luck, in the sense of an immensely more continuous development of their political institutions, but there are times when even those institutions look to be in need of brushing up. Least of all can the British afford to draw the conclusion that they would rid themselves of anxiety by withdrawing from Europe. They could conclude, for what good that does, that they ought to have gone in much earlier. But basically, the decision to seek entry into the common market is a recognition of an existing inextricable involvement of interests—of the fact that the country's future cannot be separated from the course of western Europe's affairs. Britain, if it were now to break away, would not get rid of the involvement, but would merely deprive itself of a voice in what is to happen next.

Bogeys for By-Elections

How to interpret Thursday's results from five British constituencies

By the time this issue of *The Economist* reaches readers' hands the results of Thursday's five by-elections will be blazoned across the newspaper headlines. Politicians of all parties will be drawing conclusions for their future action (possibly often wrong ones) from the trends in public opinion that they are supposed to show. It is therefore worthwhile, even in a paper that has inconveniently to go to press before Thursday's polls are closed, to look at the bogey scores against which these results should be judged.

The probability is that any Conservative recovery on Thursday may tend to be underestimated in most newspapers this weekend, because most people still have not realised from what a very deep mess the Conservatives were starting. The accidents of the calendar nowadays tend to confine the by-election season in Britain to two brief periods a year, this present one in November and the other in March-July. In the last season, between March and July of this year, there were twelve by-elections. The swings recorded were big enough to suggest that all five Conservative seats contested on Thursday might conceivably have been in danger, if the by-elections in them had been fought then.

The emphasis here should admittedly be on the word "conceivably." The most revealing figure to look for in any by-election—maddening though this may seem to those who abhor to hear the romance of democracy reduced to arid statistical terms—is still the net swing from Conservative to Labour. This can be worked out by taking half the difference between the change since 1959 in the Conservatives' percentage share of the vote and the change in Labour's. For example, if the Conservatives' share of the vote in any constituency falls by 11 per cent and Labour's by 4 per cent, the net swing in that constituency is half of 7 per cent, which is 3½ per cent. This example has been chosen here because it is a useful figure to keep in mind when assessing the current state of Britain's political pulse. It happens that an average net nationwide swing of 3½ per cent at the next general election would be the minimum swing likely to be required by Labour in order to return to power.

In only two of the twelve by-elections between last March and July was the net swing to Labour kept down below this 3½ per cent minimum; these were in coalmining Pontefract and Welsh rural Montgomeryshire, where even by 1959 there

had not been so very many Conservative votes left to float away from the Government anyway. In two more of last season's twelve by-elections (Stockton and Lincoln) the net swing to Labour was around 5 per cent. In three others (Orpington, North-east Leicester, and West Derbyshire) it was between 6 and 7 per cent. In the other five (East and West Middlesbrough, North Derby, West Lothian, North Blackpool) it was between 9 and 13 per cent. The average net swing to Labour in these twelve seats was just over 7½ per cent; if one excludes Pontefract and Montgomeryshire as special cases, it was just over 8½ per cent.

THIS last figure, if repeated this week, would have sufficed to deliver four of Thursday's five seats into Labour's hands. The easiest of the five seats for Labour was obviously Glasgow Woodside, where the Opposition needed a swing of only 3.1 per cent in order to win; in unemployment-affected Glasgow on Thursday nearly everybody was expecting the anti-Tory swing to be near to the top of the March-July range (that is, between 9 and 13 per cent). The second easiest seat for the Opposition seemed to be South Northamptonshire, where Labour needed a swing of exactly 7 per cent to win and where, alone among those five seats, there was a new Liberal appearance (i.e. there was no Liberal candidate in 1959); seats with new Liberal appearances are still generally expected to show an above-average swing against the Tories (although perhaps less so nowadays than formerly). In two other of Thursday's seats, South Dorset and Central Norfolk, Labour needed swings of 7.6 and 7.8 per cent respectively. In South Dorset the Tories were at first seriously embarrassed by the appearance of an independent anti-common market Tory, supported by the retiring and recently ennobled former Tory MP (although one has become increasingly doubtful whether it is the Tories whom that sort of independent now hurts most); in Norfolk there has seemed to be an above-average swing away from the Tories for some years. This sort of arithmetic would have left only Chippenham apparently outside Mr Gaitskell's potential grasp; and Chippenham might be sufficiently middle-class and sufficiently far enough west to be seriously threatened by the Liberals. While Labour would need a 10.6 per cent swing from the Tories to win Chippenham, the Liberals would need a 17.6 per cent swing from them to win it; in the three apparently relevant by-elections between last March and last July (i.e. excluding Montgomery but also excluding seats with new Liberal appearances), the average net swing from Conservative to Liberal was 20 per cent.

It follows that, if the Conservatives were to save Thursday's five faggots from burning, they had to rely on one of two things: first, the possibility that there has been a general swing back of opinion to them in the country as a whole since July; secondly, the possibility that, even if there has been no such general swing, the approach towards a pre-general election period might make mildly disgruntled Tories less ready to treat by-elections as an opportunity for casting protest votes and more ready to vote as if they were choosing the government of the day. Throughout most of the March-July period, when Labour was marking up average net swings of between 7½ and 8½ per cent, the public opinion polls were suggesting that, in answer to the question: "How would you vote in a general election tomorrow?" there had been nationwide swings to Labour of only between 4 and 6 per

cent. It is quite reasonable to suppose that some Conservatives were more prepared to vote against their party in a by-election at that time than they would have been in a poll to elect a government.

The evidence of what has been happening since July is confusing. In August and to some extent in September, the Gallup polls in the *Daily Telegraph* suggested that the Tories might actually be losing still more ground relative to Labour across the country. Then, in late October and early November—as Mr Gaitskell's Brighton speech against the common market polarised the difference between the main parties—both this Gallup poll and the National Opinion Poll in the *Daily Mail* reported some signs of a sharp Tory recovery; by the beginning of this month both these polls were indicating the net nationwide swing from Tory to Labour since 1959 at only between 3 and 4 per cent (which might not even be enough to win Labour a general election). But by last weekend the Gallup poll in the *Sunday Telegraph* was suggesting that this might have been only a temporary aberration; it was once again putting Labour's lead in the country at a rather higher figure than it had reported during most of the last by-election season between March and July.

Interestingly, however, Gallup's sample polls in the by-election constituencies themselves have not made quite such gloomy reading for the Tories, in England at least. Gallup's last poll, in the *Daily Telegraph* on Thursday, foresaw a very large (nearly 12 per cent) swing against the Conservatives at Glasgow Woodside, but thought that South Northants and Central Norfolk should be narrowly held by the Government (with swings up to 6½ per cent against it), and South Dorset and Chippenham more securely held (with adverse swings of just under 3½ per cent and 5 per cent, respectively). These would be below the swings that the Tories would have had to expect in July, although not sufficiently far below them to give Mr Macmillan much chance of winning an early general election. The National Opinion Poll in the *Daily Mail* this week forecast that there would be the same sort of huge swing against the Conservatives in Glasgow, but again a very significantly smaller one in South Dorset and South Northants (just over 3½ per cent and just over 1 per cent, respectively). For what they are worth, analyses of local council by-elections last month had also suggested a Conservative recovery since July in England, although not at that time quite as big a one as the National Opinion Poll has this week seemed to presage.

By now the reader will know. One's presumption on Thursday afternoon had to be that the swing against the Conservatives in urban Scotland would probably still be at or above 10 per cent; if so, in order to win an early general election the Conservatives would have to keep the average swing in England down to just below 3 (not merely below 3½) per cent. One difficulty about using Thursday's results as a yardstick is that they will have provided no evidence whether or not there may still be large, Scottish-style swings in progress against the Tories in north-east England (where there are a few marginal Tory seats) and in Lancashire (where there are quite a lot). But perhaps two rough judgments can be made.

If the average net swings to Labour from the Tories in Thursday's four English by-elections are still around or above 5 per cent, then Mr Gaitskell would still be overwhelmingly likely to win an early general election. The guess must be

that, in that event, the Government's main determination would be not to grant him an early election. The Tories' intended strategy would then probably be to press forward with the Brussels negotiations in the hope of achieving Britain's entry into Europe, by January 1, 1964, but without any intention of calling the next general election until the last possible date—in October, 1964.

If Thursday's by-elections have gone better than this for the Government—and, in particular, if the average net swing to Labour in the four English by-elections does prove to have been brought down below about 3½ or 3 per cent—then the Tories' intended strategy would probably be very different. They might then try to complete the Brussels

negotiations by next July, announce that ratification will not take place until January, 1964, but work on the assumption that they can successfully hold a general election on the market issue in October, 1963, between Britain's provisional signature at Brussels and its ratification. That is why this batch of by-elections might be peculiarly important; they will not only throw an interesting light on what has been happening to British public opinion in the last few months, but will probably also sharply affect the British Government's intended political strategy for the months immediately ahead. On Labour's side of the fence they may also be taken—perhaps misleadingly—as indicating whether Mr Gaitskell's line on the common market is an election-winner or an election-loser.

Mao the Moderate

They came, they conquered, they go back. Why?

INSCRUTABLY oriental to the end, the Chinese troops who have been chasing outmanoeuvred Indians down Himalayan slopes for the past month politely halted on Wednesday, applied their safety catches, and offered to withdraw from some—though not all—of the ground they are holding. This was a surprise, since there seemed to be no military reason why the “frontier guards” whose “defensive actions” (this is Chinese terminology) have carried them deep into India's North-East Frontier Agency should have been obliged to stop just yet. Some pessimists, indeed, not all of them within sound of the guns, had assumed that the Chinese were ready to keep going until they reached the Ceylon straits. In fact, it has never made sense to believe that Mr Mao Tse-tung was embarking on an attempt to occupy the Indian sub-continent. But it did make sense to fear that the Chinese would keep going at the eastern end of the border until they had occupied all the territory they claimed as theirs, and, more, had established a stranglehold on the Brahmaputra river, thus cutting off Assam from India. That they have apparently refrained from doing so calls for an explanation.

The explanation that is going to be offered by some people is that Russia and China co-ordinated their sorties into Cuba and India, and now, having been faced by resolute opponents, have circumspectly co-ordinated their withdrawals. On this interpretation, the simultaneous news on Tuesday night that the Chinese were reining back in the Himalayas, and the

Russians were pulling their Ilyushin bombers out of Cuba, was evidence that the communists had been forced to let peace break out all over. It is true that the pretty substantial operation mounted by the Chinese army on the Indian border must have been prepared at about the same time as Mr Khrushchev was preparing to slip his missiles and bombers into Cuba. Nevertheless, this interpretation is much too simple. It ignores the fact that on Tuesday night the Chinese had not been obliged to halt by equal or superior military force (though they might have been later, and further south); it also ignores the rich contempt expressed by the Peking *People's Daily* and *Red Flag* as recently as November 15th and 16th for communist leaders—no names, no pack drill—who flinch from the risk of war.

The real explanation, which is probably quite complex, has to start from the details of the steps proposed by Peking this week. These were precisely what Mr Chou En-lai proposed to Mr Nehru on October 24th, just after the really fierce fighting broke out, and what the Chinese had offered earlier. They include a non-man's-land 25 miles wide, centred on the “line of actual control” as it stood three years ago. At the eastern end of the border, in the North-East Frontier Agency, this line runs more or less along what the Indians claim to be the frontier; at the western end, in Ladakh, it runs more or less along what the Chinese claim to be the frontier.

In other words, the Indians are being offered the right to

occupy the eastern piece of disputed territory at the price of letting the Chinese hold on to the western piece—minus, in each case, a strip of no-man's-land. This suggests that the primary Chinese objective was what the more cautious commentators always said it was, namely, to win acceptance of their squatters' rights in the barren Ladakh plateau, across which they have built a road connecting Sinkiang with Tibet, by putting pressure on the Indians at the other end of the line. When Mr Krishna Menon prodded them with patrols in Ladakh, they let fly a left hook in the North-East Frontier Agency, incidentally knocking Mr Menon clean out of office.

And yet this explanation, neat though it is, does not quite solve the whole puzzle. The Chinese, after all, were already in control of their coveted Ladakh. Why could they not simply have sat tight, and given India a bloody nose if and when it tried to retake the empty plateau? Why, if they felt it necessary to rattle the Indians at the other end of the border, did they have to be quite so savage—and so expensive of China's strained resources? And why was the transition from advance to withdrawal so remarkably abrupt?

It may be that Peking had a secondary objective, which it was prepared to abandon if things did not go its way. This secondary objective would have been to demonstrate to Mr Khrushchev, and the other “revisionists” of the communist world, that the best way to treat bourgeois neutralists like Mr Nehru is to bully them, not give them aid. The Chinese may have hoped that Mr Nehru would knuckle under when he saw the casualty lists, or be replaced by somebody more pliant. In the event, however, Mr Nehru refused to knuckle under; Indian public opinion rallied round, and so did the western powers; and even Mr Khrushchev, after a brief wobble, declined to take the Chinese point. There have been suggestions, indeed, that Moscow put a good deal of pressure on Peking to stop brawling. At this stage, sensing his isolation, Mr Mao Tse-tung may have decided to settle for his more moderate and limited primary objective.

All this is speculation about things past. The next decision,

whether or not to accept the Chinese terms, is one for Mr Nehru, and one does not envy him. It can be argued that a chunk of desolate territory in Ladakh, which the Indians have claimed but barely (so far as one can see) set foot on, is a fair price to pay for regaining the stretch of the North-East Frontier Agency that they have just lost—particularly as, pending negotiations, the Indians are being asked merely to accept the Chinese position in Ladakh *de facto*. But this would involve Mr Nehru in accepting, under duress, an exchange which he rejected only a month ago. His chances of subsequently arguing or fighting the Chinese army out of Ladakh must now be reckoned pretty slender; and he would be harried by the memory of that—quite possibly repeatable—left hook towards the Brahmaputra. The decisive consideration may be the obvious unpreparedness, in weapons, tactics and leadership, of the Indian forces on the frontier. If time is needed to put the Indian Army right, time may have to be bought by concessions, maybe only temporary but maybe not, in Ladakh.

Mr Nehru's chief concern, and that of most of the rest of the world, is how deep Mr Mao Tse-tung's current policy of relative moderation goes. The Chinese have shown this week that they are capable of defining a limited objective and stopping when they reach it. If their main concern is really with Ladakh, and if Mr Khrushchev can really put pressure on them to stay moderate, India may feel an easing of the strain.

But one has doubts. It is an uncomfortable thought that Chinese governments, both communist and pre-communist, have had a nasty habit of wanting to fill out what they believe to be the true boundaries of China whenever a respite from famine, internal chaos and external preoccupations has given them a chance to do so. Mr Mao Tse-tung's government has “filled out” Tibet, and the Ladakh bulge. There are other claims on India—not to mention some suspicious vagueness about the Mongolian boundary to the north. It cannot be assumed, because China has offered to regurgitate parts of India's north-eastern territories, that its appetite is satisfied.

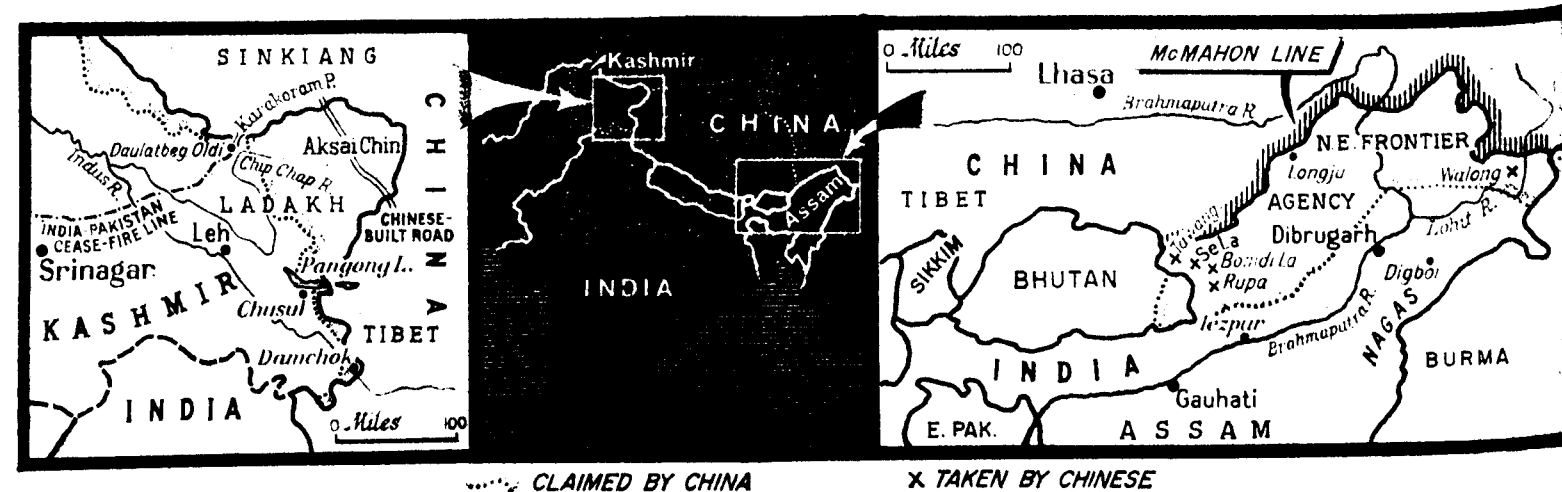
London 1962—and 1982

The new London Government Bill deserves to be attacked, but for precisely the opposite reasons from those which most of its critics will deploy

THE jurisdiction of local government in Britain is still determined in the countryside by the travelling pace of the medieval horse, and in London and the bigger county boroughs by the economic range of the Victorian horse-tram. The London Government Bill, published on Thursday, is an earnest, like the work of the local government commissions on Tyneside and Tees-side especially, that the patchwork of antiquated and inefficient authorities must eventually give way to a system that really works. Unfortunately, it is only a relatively small earnest. The bill is going to be bitterly attacked by the Labour party (which dislikes the break-up of the old Labour-controlled London County Council) and by Conservative suburban councillors (who dislike the impingement upon their own councils' autonomy), on the grounds that it unnecessarily disrupts the existing local

government system in London. But the real grounds for criticism of the bill are precisely the reverse of this. Sir Keith Joseph's bill can perhaps be accepted, with reservations, as a step part-way in the right direction. But modern-minded people had better realise now that it will almost certainly have to be rewritten within a comparatively short time: when it is recognised that in reality it does not “disrupt”—which means radically reform—the local government system in London at all sufficiently.

There is always apoplexy among aldermen and local councillors when the label of inadequacy or inefficiency is tied to worthy administrative areas which, from the London County Council to the extraordinary entity of Rutland, are threatened with mergers or extinction. It can be readily conceded that the LCC and Rutland, neither of them accustomed to hiding its light under a bushel, are probably as good as most at doing the local authority jobs of forty years ago. But the essential aim and object of all reforming plans now should be to clear the ground for an administrative



structure that can cope at one level with the needs of the individual (the true level for borough or district council work) and, on a broader plane (the plane which, in future, should be tackled by regionalised local government), with the problems of a rapidly evolving urban community.

Moreover, a major bill like this one should have been designed not merely to deal with this evolving society, but also to look forward to the society that will have evolved in twenty years' time—a society more populous, more mobile, more commuter-minded, more self-sufficient and geographically more spread out from the older conurbations than it has even begun to be today.

The main advance made by the London Government Bill is that it recognises, after generations of ministers had shirked recognising anything of the kind, that London is now, as the Herbert commission discovered, a continuously built-up area with a population of over 8 million, and no longer (as Lord Longford, the LCC and Tory aldermen in Surrey persist in believing) a clearly defined locality of only 3½ million people clustered round the City of Westminster. The first, and entirely welcome, assumption of the bill is that these 8 million Londoners happen to have common interests, especially in matters like town and country planning, over-spill housing, and traffic and highways; and that authority for these should therefore rest in a Greater London Council—which should come into being in the autumn of 1964.

The second main argument of the bill, however, is that more local interests (in which the bill includes ordinary housing, education and the personal health and welfare services) should be run by 32 amalgamated boroughs, each corresponding as far as possible in a two-tier system to the most efficient of nineteenth-century administrative concepts, the county borough. There has admittedly been one sensible modification of this second argument. Because education has been tightly integrated in the LCC's area, it would be ridiculous to parcel it out hurriedly among the inexperienced new boroughs. Sir Keith Joseph's predecessor, Dr Hill, decided in May to keep the old LCC's central educational authority intact for the first five years of the new boroughs' existence.

But it is this second argument that will almost certainly have to be further modified as time goes, quickly, by. The one sort of Opposition argument that should be heard with respect during the debates on the bill will be when Labour complains that various departments of the old LCC, say the architect's department and (after a time) the education department, are going to be broken up and their work devolved on to smaller authorities' patchwork departments which will be less efficient. But the real solution, which both political parties have ignored, is that more of these departments' work should have been taken over by a larger authority, that is, by the new GLC. The more closely one reads this bill, the more one becomes convinced that the GLC is woefully unlikely to possess the full authority or the prestige that it will need to sort out London's communal problems. Every time the GLC disagrees with a borough on housing densities (a

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very real issue in the outlying suburbs with space to spare) it will have probably to wait on a ministerial verdict—a time-wasting process that will probably all too often be resolved, not by the merits of the case, but by some administrative or even politically motivated compromise. The same trouble will crop up over planning. It is true that on main roads the Government has realistically accepted the Herbert commission's argument for a single traffic authority, but planning powers even here are unlikely to be sufficient. Finally, having gone beyond the Herbert commission in creating large and pretty powerful new boroughs (as a sop to the aldermen), the Government has tried to justify itself by giving the suburban boroughs complete authority for education. They are unlikely to be big enough to organise it imaginatively. The bill certainly ought to be amended, in everyone's interest, to give the GLC co-ordinating powers over higher education at the very least. Preferably it should have been given much wider powers than that.

IDEALLY, while many of the effective powers given to the boroughs should have been given to the GLC, the co-ordinating powers that in fact have been given to the GLC should have been given to a body which should have extended over a much wider area still. Some time within the next generation steps will almost certainly have to be taken towards far greater co-ordination, under a body with the GLC's powers, throughout the entire region that is really centred on London—i.e. throughout south-east England as a whole. It would have been wise, even if immensely bold, to take these steps now. The parochial critics of the bill swear that co-ordination is already achieved by the Standing Conference on Greater London Planning (composed of representatives of nine county councils and three county boroughs). So, they say, why not leave the LCC and Middlesex alone as two councils among others? The truth is that (as even a casual conciliar acquaintance with, say, over-spill operations should have borne in upon the resisters) this splendid south-east *des patries* is blatantly incapable of effectively guiding and regulating the growth of the region even in the next decade. It is certainly not effective regional administration as Britain will need to experience it in future.

In reform of local government right across the country, the primary aim of both the congested south and the underdeveloped north and west of Britain should now be to give themselves the administrative structure, and the sheer physical and financial scope, to be able to rehouse their populations, to construct their modern transport networks (essential to attract new industry to the north), to develop planning ideas like the radial city and, indeed, to build the six new Birminghams (or, preferably, 60 new Northamptons) which the natural population increase, by itself, will thrust upon this country in twenty years' time. This is the true extent of the radical change that must come, and to which the London bill—which will still leave far too many regional planning decisions to be taken by small boroughs' clerks—is only a very limited contribution. The debate on the bill, if it does nothing else, will pinpoint those who want a country that can run itself properly, and those who stick instinctively to the parish pump and the municipal horse trough. But what a pity that the first assault on the latter has not been more bravely planned.

NOTES OF THE WEEK

CUBA

How the Crisis Crumbled

ON Tuesday, four weeks and a day after he had revealed the beginning of the Cuban crisis, President Kennedy again appeared on television, at his news conference, to say that it was all over, or almost. A neat bargain had been struck. In return for a promise from Mr Khrushchev to get his Ilyushin bombers out of Cuba within the next month (and to allow them to be counted as they go), the United States had decided to lift its naval blockade of the island. The heat of the affair had subsided long ago when Mr Khrushchev agreed to remove his missiles, but the sour worry of secret and awkward negotiations dragged on until it was dispersed this week by these puffs of good will.

True, a number of loose ends still remain. The United States is still insisting on full satisfaction before giving any formal pledge not to invade Cuba. Mr Kennedy's condition was that an arrangement should be made through the United Nations to inspect the removal of "offensive" weapons from Cuba and to make sure that no more were introduced. While Mr Kennedy seems prepared to accept Mr Khrushchev's word (supported by aerial photography) that the weapons are either out or on the way out, Dr Castro's refusal to accept any form of UN inspection gives the United States a fairly respectable reason for modifying its pledge and continuing the overflights. At his press conference Mr Kennedy repeated the statement he made in the pre-crisis days of September that "we shall neither initiate nor permit aggression in this hemisphere." The rattled Cuban government is not likely to be calmed by this.

Tactfully, Dr Castro was allowed to precede Mr Khrushchev in giving way about the bombers. On Monday, U Thant, the acting secretary-general of the United Nations, received a letter from the Cuban prime minister in which he said he had no objection if the Soviet government took away its "antiquated" property. It is much harder for the Cubans to accept the continuance of American air reconnaissance over their country, but Dr Castro will probably not be so foolish as to act on his earlier threat to shoot down American reconnaissance aircraft.

With the passing of the nuclear storm, there is a growing feeling among some Latin Americans that the calm should be used first, to get some general ban on nuclear weapons in the region and second, to attempt a less acid relationship with Cuba. There is even the belief that Dr Castro's government, after its shaking, might be

more amenable. But President Kennedy made it plain on Tuesday that his thoughts are not directed towards any sort of *détente*.

CHINA AND RUSSIA

By Marx Anointed?

ACCORDING to Peking, the Russian bear has come to love its comfort far too much; it is fit for a bourgeois zoo, but never for leading the world through the necessary revolution to communism. Even before the Cuban crisis and the Chinese lunge into India—which served to remind Mr Khrushchev of Mr Mao Tse-tung's dictum that "power grows from the barrel of a gun"—the theoreticians of Moscow and Peking were disputing the sacred texts of Marx, Lenin and the Moscow declarations of 1957 and 1960 as keenly as medieval theologians. Since Cuba, the dispute has grown hotter.

In the current number of *Red Flag*, the Chinese probe deep into their differences with the Soviet Union. They argue that the purity of the revolutionary spirit of Marxism-Leninism is at stake. Had the revisionists (that is, Mr Khrushchev) not been "awed" by the superficial power of the Americans, the Cuban crisis would have yielded a victory, not a defeat. The Russians, though not by name, are portrayed as pacifists prepared to sacrifice the interests of the communist revolution in underdeveloped countries if their own security is threatened. The journal also reminds communists under Russia's influence that the "doctrinaire" attempt to make the Chinese "apply mechanically" the experience of others has "caused exceptionally serious losses to the Chinese revolution."

Pravda countered all this with the Russian case in a page-long article by Mr Ponomarev, a party secretary and a leading theorist, on November 17th. Mr Ponomarev argued that the Albanians talked about peaceful co-existence but were hypocrites because they had pushed humanity towards a thermo-nuclear war. (If this sounds odd, read "Chinese" for "Albanians.") In addition, the Chinese were indirectly accused of being against the "peaceful normalisation of international problems, different forms of transition to socialism, and the struggle for disarmament." The Russians seem to have no intention of changing their attitude towards the Chinese. Perhaps they feel that they can still turn the economic screws enough to keep China in order.

Meanwhile there has been a direct confrontation of the two points of view at the

Hungarian party congress. Mr Wu Hsiu-chan, the chief Chinese delegate, who a fortnight ago had to come to the defence of his Albanian friends at the Bulgarian party congress, found himself playing the same part in Budapest this week, after heavy (and heavily applauded) attacks on the Albanians by Mr Kadar and by the Soviet delegate, Mr Kuusinen. Perhaps Mr Wu's next appearance will be at the imminent Czechoslovak party congress.

COMMON MARKET

In Search of an Author

BY now the meetings between the Six and Mr Heath have begun to resemble a play by Pirandello. In the centre of the stage, clustered around the massive Belgian woodwork of the conference table, sit the ministers and their aides. The tariff charts, the careful agricultural statistics, the detailed policy papers, the fine points with the pencilled query in the margin, all of these constitute the action of the play. Indeed its significance cannot be denied, for out of this drama will emerge an economic reality that will affect the British sheep farmer as readily as it will the French motor car worker.

And so one pays close attention to the surface (though significant) reality of the Brussels stage during the last meeting of the ministers: a general agreement to leave the common market's door open to the African Commonwealth countries that have rejected association; compromises and general agreement on some processed foods from Australia, Canada and New Zealand; the tabling of decisions on important controversial issues—including duty cuts and tariff quotas on dried and canned fruit and salmon. It is all somehow as reassuring as it is, by now, tedious.

And yet beneath the surface dialogue of the play, the actors (as well as the audience) sense another reality, one whose purpose and implications are less clear. There is, to be sure, an understanding that what is resolved in Brussels between Britain and the Six impinges upon the rest of the world. Angry sounds to that effect could be heard on Monday from Paris, where the American Secretary of Agriculture, Mr Orville Freeman, spoke out at a meeting of the Organisation for Economic Co-operation and Development against restrictive agricultural policies in the European community. There have also been candid suggestions from the west Germans to the effect that any associated states recognising east Germany should be denied the privileges of association. And, more explicitly, there was Herr Hallstein's address to the Nato parliamentarians on November 12th, when he said,

What is emerging . . . is not just an economic union. Rather it is a political union, so far limited to the economic and social fields.

When that political union will flesh out, and what form it will assume—in foreign, defence or monetary policies, the redistribution of national income, educational and cultural programmes—is unclear at the moment. But that it really is the culminating point of the drama and the resolution of the repertory in Brussels seems to be quietly understood by all those vitally concerned in the action. It is this reality, much more than the obvious (and important) one concerned with nil tariffs and temperate foodstuffs, that imparts a genuine sense of excitement and history to the proceedings.

The Six Grasp a Nettle

AT Mr Heath's request, the prickly question of the agricultural finance regulations was brought up again during last week's ministerial talks in Brussels, though not between the Six and himself. The Six are again grasping this particular nettle among themselves, and the disagreements within them, latent since their own farm agreement of January 14th, are now in the open.

As explained in *The Economist* last week (page 646), the January regulations gave community agricultural producers—chiefly France—the considerable advantage of selling their surpluses on the world market, with aid from the Community kitty replacing national subsidies from 1970 onwards. Part of the community's funds is to come from the full proceeds of the levies on farm produce bought from non-member countries by community agricultural importers—

chiefly Germany. But this last point, though agreed in principle by the Six (and by Britain) has not yet been ratified, and France wishes to make the commitment legally irrevocable for Germany, as for Britain, by including the point in the British membership treaty, which must be ratified by everybody.

Other countries, however, do not feel the same urgency about ratification. Germany and the Netherlands have pointed out that agricultural levies form only part of the total contribution to the community fund, which, according to Article 201 of the Rome Treaty, may raise its revenue also from the common customs tariff. Germany claims, with some reason, that these concrete amounts can only be estimated nearer 1970 when the common agricultural policy is in fuller swing—especially as the community price level for cereals, the key factor in setting the size of the levies, will not be known until next summer. Only later, according to Germany, can the whole picture be seen and a judgment made on whether some members risk paying grossly unfair amounts into the common till.

France agreed last week that the question of an equitable sharing of the financial burden should be studied, though it is more likely that "equity" will be differently interpreted in Paris and Bonn. In the meantime the commission is to study the question, and to give its advice on December 3rd and 4th. For its part, the commission appears to be thoroughly anxious to find a speedy compromise within the framework of the January agreement. Although it gave advantages to France, the commission favoured this agreement because it marked the imperfect beginning of a genuinely common agricultural policy with a com-

munity-earned communal fund. Above all, it fears that the January settlement may be thrown back into the melting pot—a major setback for the Six and probably also for the British negotiations.

Mr Heath himself does not return to Brussels until December 10th. But Britain's interest in the outcome is obvious, particularly as, in August, M. Couve de Murville threatened to repudiate the tentative agreement on temperate foodstuffs if he did not receive satisfaction on the question of the financial regulations.

PRIVATE MEMBERS' BILLS

Wasted Opportunities

BECAUSE of the pressure on parliamentary time, only seven or eight of the twenty MPs who are lucky in the ballot for private members' bills generally have any real chance of seeing their measures reach the statute book. This year, by coincidence, Labour MPs drew the first three places in the ballot, followed by an unbroken succession of Conservatives. Two of these three Labour MPs seem to have thrown away their opportunity of being successful legislators by sponsoring measures that are either far too complicated or far too blatantly political to be properly dealt with under private members' procedure.

Mr Howell, at the top of the list, is to introduce an ambitious bill that would enable leaseholders of residential property to buy its freehold as of right. It is admittedly rather better drafted than most amateur proposals for leasehold enfranchisement. While envisaging that the price for the freehold should *prima facie* be not more than twenty-five times the ground rent, it seeks to confer a wide discretion on the county courts to fix a higher price for it should the conditions warrant. Matters which the court would have to take into account in fixing the price for the freehold are the date of the original granting of the lease, the actual ground rent, the length of the unexpired term, the way in which the tenant has maintained or improved the property, and any change in money values between the granting of the lease and service by the lessee of his intention to buy the freehold. Six months' notice of this intention would have to be given and there would be no right of purchase if the lease had less than five years to run. Mr Howell has had the aid of Sir Frank Soskice in drafting his bill, but this is pre-eminently the sort of complicated and controversial measure that really cannot be handled successfully by a private member. It is interesting mainly as a preview of the sort of legislation that a Labour government might introduce.

Mr Lipton, third on the list, is to introduce a bill which proposes (with some justification) that widowed mothers should not have any deductions made from their pensions when they earn extra money by going out to work; and which would increase from £3 10s. to £4 10s. a week the

money that widows without children are allowed to earn before deductions from their pensions are made. But Mr Lipton's bill then goes on to some blatant electioneering by proposing that the pension of the "ten shilling widow" should be doubled. These are women who were entitled to their ten shillings a week pension from pre-Beveridge days, but were rightly not made eligible for extra widows' pensions (as distinct from other social insurance benefits) after these reforms, because they were both sufficiently young and sufficiently unencumbered with children to earn their living in the normal way. There is no more reason for giving an extra ten shillings a week to them than there would be for giving an extra ten shillings a week to all spinsters.

Grounds for Divorce

IN second place on the list of private members' bills. Mr Abse's proposed divorce bill is good as far as it goes. One of its objects is to make reconciliation easier. At present, a divorce cannot be granted on grounds of desertion if during the desertion period of three years the husband and wife live together even for a short time in an attempt at reconciliation that does not succeed: the three years then have to start over again. In line with a proposal of the royal commission on divorce, Mr Abse's bill would allow them to live together for a month. Another—but more controversial—proposal goes near to the heart of the matter. Mr Abse suggests that, even if there is no "matrimonial offence," a marriage that has broken down so irretrievably that the parties have been living apart for seven years should be dissoluble on the petition of either.

The most sensible basis for divorce law would surely be that the courts could dis-

solve any marriage if they felt convinced that it had irretrievably broken down; but that otherwise divorces should not be granted at all, instead of being easily arrangeable between consenting parties merely by the husband spending a sordid weekend in Brighton. This was the reform suggested by Lord Walker in his dissenting note to the report of the royal commission on divorce. Mr Abse's suggestion, by departing from the present idea of divorces based almost wholly on "matrimonial offences," might be a worthwhile step towards eventually establishing this sort of system.

There is one other point that should be recommended to his attention. At present divorces on the ground of incurable insanity—the one clear permitted departure from the doctrine of the matrimonial offence—are becoming much harder to obtain. Even if the law's stipulation of five years' continuous care and treatment is fulfilled, which is rare in these days of informal admission to hospital, it is increasingly unusual for a person to be deemed "incurably of unsound mind." Yet the mental illness may still be serious enough to cause a complete breakdown of the marriage, usually because of the delusions it produces. In these circumstances, the other party's only recourse at present is to petition for divorce on the grounds of cruelty. Then, however, he or she may be countered by the McNaughten rules, which have been held to be a good defence to a cruelty allegation. Thus, a person can be found mad enough not to know that he was being cruel or that his cruelty was wrong, but not mad enough for a spouse to obtain a divorce on the ground of insanity. This is something Mr Abse might well look at—always provided that we have to continue to put up with the present law and cannot adopt *in toto* Lord Walker's sensible principle.

Conservative Also Rans

BELOW these three Labour MPs' bills, a succession of Conservative MPs are to introduce measures that may well have departmental backing. Mr Speir, who drew fourth place in the ballot, is sponsoring a bill which would increase the powers of local authorities to spend money on projects and schemes that at the moment require the sanction of the Minister of Local Government. The main effect of the bill would be to streamline procedure, and to allow the equivalent of up to a 1d. rate to be spent on items mentioned in an attached schedule. Most of them will probably be sensible. Mr Cooke is sponsoring a bill to provide further protection for the surroundings of historic buildings. It provides that where any planning decision has to be taken within half a mile of a building scheduled as Grade I, the owner of the building must be informed of the development proposals, and that his views must be submitted with others to the Ministry of Local Government to be taken into account when a decision is taken. Miss

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NAME
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ADDRESS

Vickers proposes some worthy improvements in the guardianship of infants.

Mr Biggs-Davison, seventh in the list, is introducing a minor bill to regularise the practice of consular officers in the United Kingdom in administering oaths and performing other legal duties on behalf of their countries. This practice is recognised by treaty but at present has no statutory authority. Sir Harry Legge-Bourke, eighth in the list, is introducing the bill to provide for the compulsory statutory registration of estate agents which was discussed—and criticised—in *The Economist* of November 10th. It could far too easily become a charter for estate agents' restrictive practices. Mr Alan Brown has a worthwhile-sounding bill which proposes to give the Ministry of Health power to control the standards of private nursing homes by regulation. Sir Charles Mott-Radclyffe proposes to make the redemption of certain corn rents a simpler operation, and Mr Henry Price, eleventh in the list, wants to impose further limitations on the discharge of oil sludge into the sea. This is already regulated by an Act of 1955; but the present bill, which commands wide support in the House, would strengthen its provisions.

THE LAW

Juries Up to Date?

THE announcement by the Home Secretary that he intends to appoint a departmental committee to review "a number of general questions" regarding jury service, including the representation of women, is welcome. Such an inquiry has not taken place for half a century, and there are a number of anomalies and anachronisms

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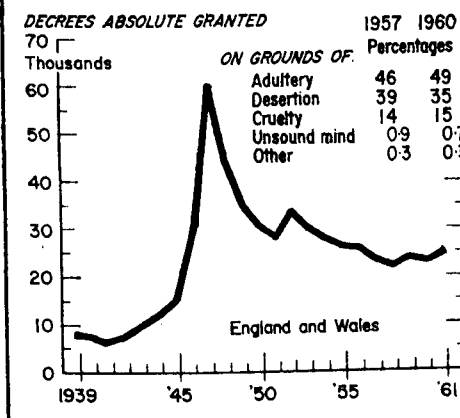
THE GAROTTERS

London suffers bitterly from the garotters, and is half inclined to revenge itself by smothering the official life out of the Director of English Convict Prisons, Sir Joshua Jebb. No man feels quite safe alone in the streets after dark,—and as it is impossible to revenge yourself for a state of insecurity on the possible criminals who inspire the awe,—the many who naturally resent the idea of sudden seizure from behind, of convulsive chokings, and loss of property, and perhaps health or life, and the few who resent the actual violence and depredation and who have lost sight of their criminal, unite to lavish opprobrium on the chief of our convict-treating executive. This is perhaps rather hard on Sir Joshua, since, no doubt, London necks might be in considerable peril, especially in November fogs, without any fault whatever on his part, and even though crime were diminishing rapidly in England. The immediate fault probably lies more with the police system than with our policy towards criminals. And if it could be shown that the criminal class is

really diminishing, or even not increasing, no doubt Sir Joshua Jebb might be absolved from all responsibility for this kind of crime, though not from the charge that he omits to do much which he might do to diminish it. . . . The great charge against the English system is, that it is so exceedingly badly organised as to lose sight of criminals once discharged entirely,—and it is, in fact, well known that the convicts discharged form a most important nucleus of the class committed to county prisons,—not only educating many of them who are apprehended and committed for minor offences, but themselves, under new names and unrecognised by the police, constituting no small portion of the number of offenders. If the proper machinery were at work to identify any man who had once been discharged from a convict prison, wherever again he might turn up, there would be far fewer of these summarily punished offences, numbers of which are committed by men who would be committed for trial and convicted as hardened offenders, if they were recognised.

DIVORCE

The ups and downs in the number of divorces partly reflect changes in legislation (e.g. the Matrimonial Causes Act of 1937; the Legal Aid and Advice Act of 1949 and later changes in the income limits under it) and partly the upheaval in married life caused by the war. As regards grounds for divorce, there is no clear difference between the sexes in adultery and desertion, but cruelty occurs mainly in decrees granted to the wife.



connected with this venerable institution which could profitably be swept away. The qualifications for jury service in Britain owe more to the 1820s than the 1960s. To be a juror a man must be either a £10 freeholder, a £20 long leaseholder, a householder in the valuation list of £30 in London and Middlesex (or £20 elsewhere), or occupy a house with not less than fifteen windows. In the past, this property qualification has given juries a distinctly middle class tinge, but the rise in property values has enabled many working class people to serve on juries. When the new valuation list comes into force next year the number of potential jurors will be greatly expanded, and the property qualification will have become more irrelevant than ever. It will still, however, limit the number of women eligible for jury service. More men than women occupy property, and accordingly most jurors—generally nine or ten out of each twelve—are men.

Jury service is one of the last survivals of the medieval principle of compulsory public office, and over the years a large number of exemptions have been established. Practising barristers, peers, MPs, veterinary surgeons, the staff of the Inland Revenue and clergymen are exempted; lunatics are disqualified, and people with urgent business excuses are sometimes let off. In the past jurors were expected to give their services for nothing; this could involve them in heavy financial loss. Now, under the Juries Acts of 1949 and 1954, payment is made for jury service. Anyone who is summoned and attends the court, whether he actually serves or not, is entitled to draw travelling and subsistence allowances, and to receive compensation for loss of earnings or for additional expenses up to a limit of £1 for four hours or £2 for a longer period in one day.

A reasonable reform would be to abolish the property qualification and make all those on the electoral roll liable for jury service. A simple literacy test should be required. At present, inability to read or write is not

NOTES OF THE WEEK

a disqualification; but if it comes to light it is frequently (and fortunately) taken as an excuse for non-service in cases where jurors might have to study documents. In place of the vested interests of certain professions who have exemption as of right, a more flexible rule of wider application should be introduced, excusing those from jury service who show good cause why they should not serve.

KENYA

Stitch in Time

SOME time before the Colonial Secretary, Mr Sandys, intended to tell the world about it, a leakage in the *East African Standard* of November 17th revealed to all that



Governor going

the Governor of Kenya, Sir Patrick Renison, had resigned—an action, Sir Patrick explained on the 21st, not of his own choosing. With all due respect to Sir Patrick, a pleasant man and a perfectly competent administrator, the main criticism that can be made of Mr Sandys's action is that it has come so late. The new governor, Mr Malcolm MacDonald, may possibly turn out the kind of experienced troubleshooter Kenya needs; this need has already existed unfulfilled for too long. In a somewhat petulant statement on Sunday night Mr Sandys admitted that his predecessor, Mr Maudling, had decided upon replacing Sir Patrick "in the final stage of Kenya's advance to independence"; Mr Sandys apparently thinks that "the turn of the year would be the appropriate time" to change governor.

But why not right now? Why not six months ago? Sir Patrick has proved himself a good rule-book governor, but what Kenya needs is a skilled negotiator able to get in the thick of it and try to bring enough of Kenya's politicians together to form a stable government before independence. That is to say, he must do what the United Nations set out to do in the Congo—but now, not after the collapse.

The British Government is proving unnecessarily slow in other ways. The Kenya constitutional conference in April ended with a framework constitution and a coalition government. The constitutional details were to be filled in, after inter-party consultation, by July 31st this year; the Kenya African politicians have themselves to blame for the fact that they have not yet been settled. But the British Government took on the task of appointing five commissions to decide on regional and constituency

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boundaries, income and expenditure, and the secessionist demands of the Somalis in the Northern Frontier District. It has been known all along that these decisions must be made before elections can be held ("autumn elections" was the catchphrase last spring), yet the NFD commission was not in operation until the middle of October. Is Sir Patrick or the Colonial Office in London to blame for these delays? None of the commissions has yet reported.

Because of the delays Mr Sandys seems to favour elections in June (independence cannot then be far behind), but almost everyone in Kenya wants them sooner, and Mr Jomo Kenyatta sooner than that. Elections too soon might mean making errors due to haste, but elections delayed might increase the danger of violence from impatient youth-wingers, as well as prolong the jittery run-down in the economy. Perhaps Mr MacDonald can sort some of Mr Sandys's problems out.

GAMBLING

Rien Ne Va Plus?

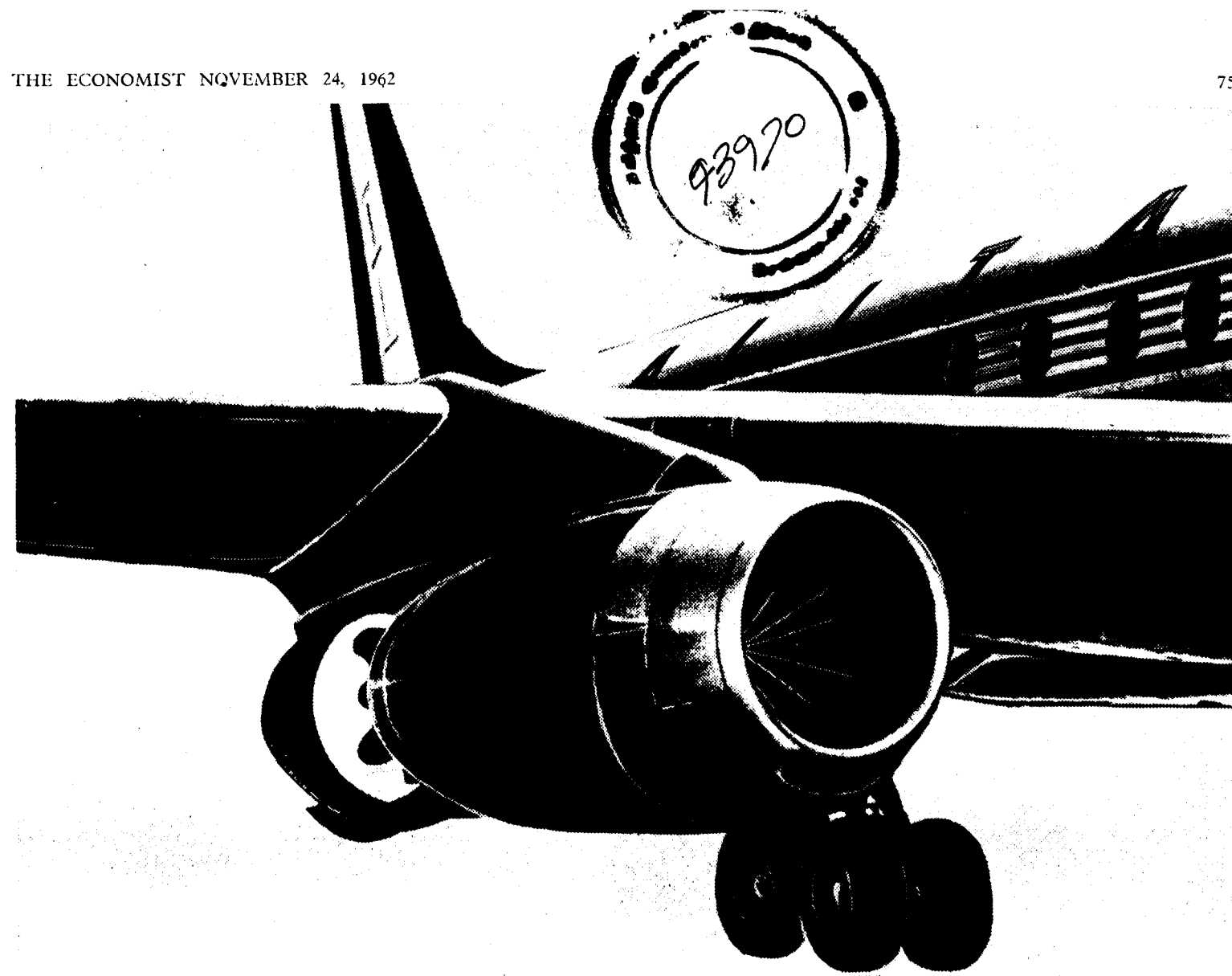
AFTER just over a year of operation, the Betting and Gaming Act is now coming under fire from all the expected places, as well as from some unexpected ones. It is obvious from common observation that betting shops have proved to be a booming business, and that the newly-legal device of setting up "non-profit-making" clubs has enabled some people to make lush ancillary profits out of staging poor man's bingo and rich man's *chemin de fer*. It is probable that gambling turnover in this country has increased substantially; although all statistics of this turnover are wildly suspect, some people think that the increase has been by more than one quarter, to over £1,000 million a year. This is idle money, the argument runs, ten times as much as the country spends on much worthier objects, providing nothing and producing nothing, and corrupting the honour and pattern of life of formerly diligent Britons.



Off the street

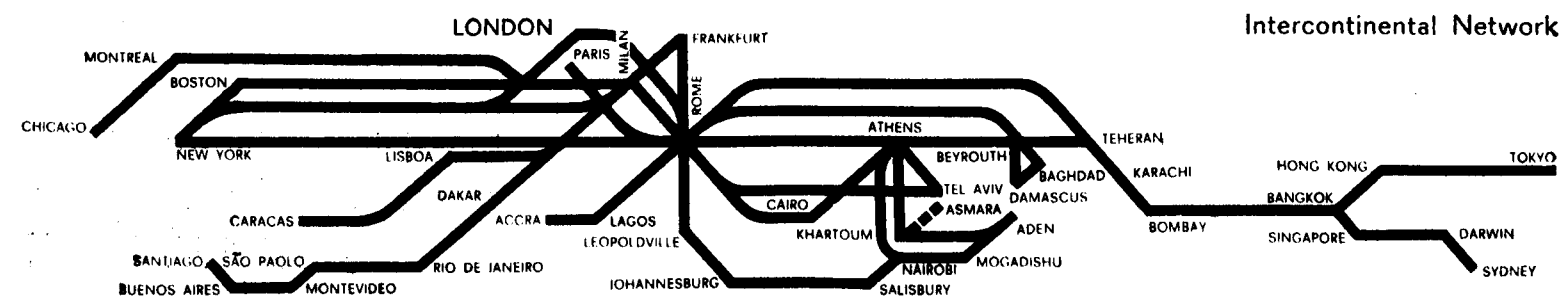
Idle the money may be, but it would be wrong to think that it could be diverted to anything more useful by, for instance, revoking the Act and driving gaming back under the counter and on to the street corner; when it is under the counter its moral effect (for example, in inducing rival

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The Review draws together the threads now weaving a brighter backcloth for business activity in the short term. But it warns that sustained economic health next year still rests uncomfortably on the success of the proposed tax cut in Congress. Trends in overseas trade and payments—among them the trade expansion act and recent reinforcement of dollar defences—are also examined.



A high-speed propeller under test in Vosper's Cavitation Tunnel at Portsmouth

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gangs of street bookmakers to stick knives into each other) may be thought to be somewhat worse. Moreover, the supposed £1,000 million a year is not pre-empting anything like £1,000 million a year of real resources; it is, in fact, almost a form of saving (in the sense of not being a consumption of resources) for the nation, whatever the punter may think on his shirtless way home. As to its corrupting effect on the honour of Englishmen, the bingo parlour is not a very inspiring development of the mid-twentieth century; but one doubts whether the moral tone of the country would be greatly improved by legislating it away.

The right thing to do now is surely to tax off the cream of this boom instead. There is nothing to stop the Government from taking a house percentage from the kitty every time it passes—either by a turnover tax on betting or by heavy annual licensing fees for everybody who operates any form of gambling establishment. Special taxes are already imposed on pool and tote betting, and on bookmakers at greyhound racing tracks; next April Mr Maudling should certainly impose similar taxes on other branches of the industry as well.

MOROCCO

Constitutional Clash

MOROCCO's opposition party, the Union Nationale des Forces Populaires, announced on November 15th that it would boycott the constitutional referendum that King Hassan is to hold on December 7th. The UNFP demands that the constitution should be made by a constituent assembly, not handed out from the palace—as has been done. Spurred by his fear of Algeria's contagious socialism, the king took the country by surprise in proclaiming his constitution a month earlier than expected. Its existence was announced on November 6th and its outlines made known last Sunday.

The design for parliamentary government is Gaullist. Like President de Gaulle, the king presides at cabinet meetings and has power to dissolve parliament. He may also seek popular mandates by referendum, provided the question at issue has first been debated in parliament. Such powers, until they are used, are hard for the man in the street to judge. The one simple fact that the simple voter will cherish is that the chamber of representatives is to be freely elected; and that free parliamentary elections are promised without delay.

The king moved quickly when he had to abandon his hope of coaxing the UNFP to combine with the Istiqlal (government) party to give the constitution a backing. These hopes were not entirely unfounded. Some members of the opposition believed that to co-operate now would strengthen their own hands later. Only three weeks ago the UNFP's mild Mr Boutaleb joined the government as under-secretary for information. Such key men as Mr Balafréj of the Istiqlal, and Mr Bouabid of the UNFP, are

known to have been at odds with extremists in their parties. The obstacle was Mr ben Barka, who never swerves from his goal of becoming first president of a Moroccan republic. His claim that the motor-car accident in which he was injured last Saturday was engineered by a police car with intent to kill him would be difficult to prove in a country whose road accident rate is so high. But his party is making much of it. The sparks are bound to fly in the referendum campaign, beginning now.

FREE TRADE

Alternatives to Europe?

PROFESSOR James Meade, the professor of political economy at Cambridge, is sometimes cited by anti-marketiers as perhaps the senior British professor of economics who is in some way "against the common market." In a new 5,000 word prologue to a revised version* of his Hobart paper on the subject he has now made his position a bit more clear. On political grounds, he is what might be called a liberal nostalgic for the Commonwealth. On economic grounds he agrees that, while "the purely static calculus of commercial gain and loss is probably very evenly balanced," the dynamic effects—the "free trade advantages of specialisation, large-scale markets and a competitive spur to efficiency on a very substantial scale"—could tilt the short-term balance of advantage for Britain itself in favour of going in.

But Professor Meade's long-term aim is to see "the formation of a huge free-trade community by the highly-developed, industrialised countries of the free enterprise world"—a community that would impose no tariffs at all on imports from anybody. He sees a "very strong case" for saying that British entry into the Six might be one way of enabling us to work slowly (very slowly) towards this idea; but he believes increasingly that the final terms that we will be able to get at Brussels "may well fall far short" of those that we need to ensure that the EEC will in fact work in this way. He therefore pleads that Britain should be considering two other possible alternatives.

One of these is that Britain, together with the Commonwealth and EFTA countries, should take the lead in proposing multilateral trade negotiations through GATT, designed to try to advance towards free-trading policies by all the developed countries of the world. He does not devote very much space to this alternative, and most people will believe that present Commonwealth attitudes would make it unrealistic to do so. His second alternative, which he thinks that Britain should "consider very seriously" if we fail to get into EEC, is a unilateral advance towards free trade by Britain itself. He would like a Britain going flat out for economic expan-

* "The Common Market: Is there an Alternative?" Institute of Economic Affairs. 68 pages. 3s.

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sion, with virtually complete free-trade policies on nineteenth century lines, with the balance of payments protected by an initial devaluation of sterling (and thereafter by floating exchange rates), as well as by "a really effective policy of restraint for money wage rates" (made morally more justifiable by higher taxes on owners of property). Specifically included in his free-trade policies would be a repeal of the 1957 Agricultural Act, so as to "impose some moderate upper limit" on the amount of subsidies paid to British farmers. If Britain fails to get into the EEC, these will be the right sorts of policy to urge on British politicians; but they are singularly unlikely to be the sorts of policy that we will in fact get.

REDUNDANCY

Paying for the Sack

THE cause of a national redundancy payments scheme—which *The Economist* has been pleading for some years—has now gathered to itself a group of fervent apostles. The latest and one of the most thoughtful of these was Mr Iain M. Stewart, at the Industrial Co-Partnership Association last Tuesday. Mr Stewart's basic argument is the right one: that by paying people adequately for becoming unemployed it should be possible to achieve at once a social objective—by removing the stigma of the sack, the stopped hire-purchase payments, and the traditional misery of the unemployed state—and at the same time to increase industrial efficiency.

The most ridiculous of Britain's economic dilemmas is a shortage of labour for the expanding trades, existing alongside a surplus of labour in many traditional occupations. Even in some industries that pass for efficient in Britain, foreign observers are often stunned at the number of people who simply do not have enough to occupy their time. This is due (as well as to plain managerial incompetence) to the fact that "good" employers are plain scared of losing their reputation as such—even of

NOTES OF THE WEEK

facing a strike—if they lay off unneeded workers. Only by taking the fear out of unemployment can this reaction to increased efficiency and mechanisation be avoided.

Mr Stewart proposes a national scheme for redundancy payments and re-training, financed by a payroll tax (and perhaps also by workers' contributions). This trust, he suggests, should be partly administered by the Trades Union Congress, in order to give union leaders an active part in ensuring that their own members shift jobs. The trust would be matched by the establishment of a contract of service between all workpeople and their employers (perhaps along the lines of the Government's present thoughts), and by the imposition on companies of an obligation to keep their employees informed of changing policies. Some parts of this plan are obviously embryonic and half-formed: but the more people are persuaded to think about it the better. It would seem that the current of opinion both in big business and in the big unions is already swinging towards a progressive view on redundancy pay: while the British Employers' Confederation and the TUC seem to have listened with interest on Wednesday to the Minister of Labour's sound views on training. As ever the opposition—or the ignorance—stems from the small firms and small unions that occupy positions of such importance in the associations of both sides. Perhaps, if they are told often enough, they will come to realise that it is precisely themselves who have most to gain from such a scheme.

SHAW'S ALPHABET

Ploys Unpleasant?

FIVE years after the court judgment which deprived the Public Trustee of most of the money left in his care by George Bernard Shaw for the revolution of the English written language, the old playwright's desired alphabet, 48 letters long, has been published. Together with it has appeared a Penguin edition of *Androcles and the Lion**

* The Shaw Alphabet Edition of *Androcles and the Lion*. Penguin Books. 3s. 6d.

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transliterated from the Roman to what will become known as the Shavian. Much is claimed for it; it is said that it will reduce the space required for printing, is quicker to read and write and avoids the commonest difficulties of normal English spelling; it will save money, advance child reading by an appreciable time and generally make life easier all round.

Double lines between pairs show the relative height of Talls, Deeps, and Shorts. Wherever possible, finish letters rightwards; those starred * will be written upwards.

	Tall	Deep		Short	Short	
peep	l	l	bib	ff	l	h ear
tot	l	l	dead	egg	l	c age
kick	d	p	gag	ash*	l	f ice
fee	l	l	vow	ado*	l	7 up

Unfortunately, of these claims, only the first, the saving in space, can be supported. It is acknowledged that Shavian could never replace Roman, only supplement it, gradually coming to take a more and more important part over the course of generations. During the change-over, books would have to be printed in both Shavian and Roman types, which hardly looks like a saving of money; children would have to be taught both alphabets (with their strikingly different main and ancillary characteristics) in order to be able to use books published before Shavian, which hardly looks like a saving of time; and it is partly phonetic, with no standard spelling, which would mean (supposing the continuing lack of a British equivalent of L'Académie Française) widely differing images between differing dialect-speakers of the same word—which hardly looks like avoiding the pitfalls created by the absurdly complicated way in which words in the English language are now spelt. If, however, the new style were taken up by a coterie of enthusiasts, it could just serve a useful purpose as the forerunner of the smaller reform which some day—for logic's sake—has got to come.

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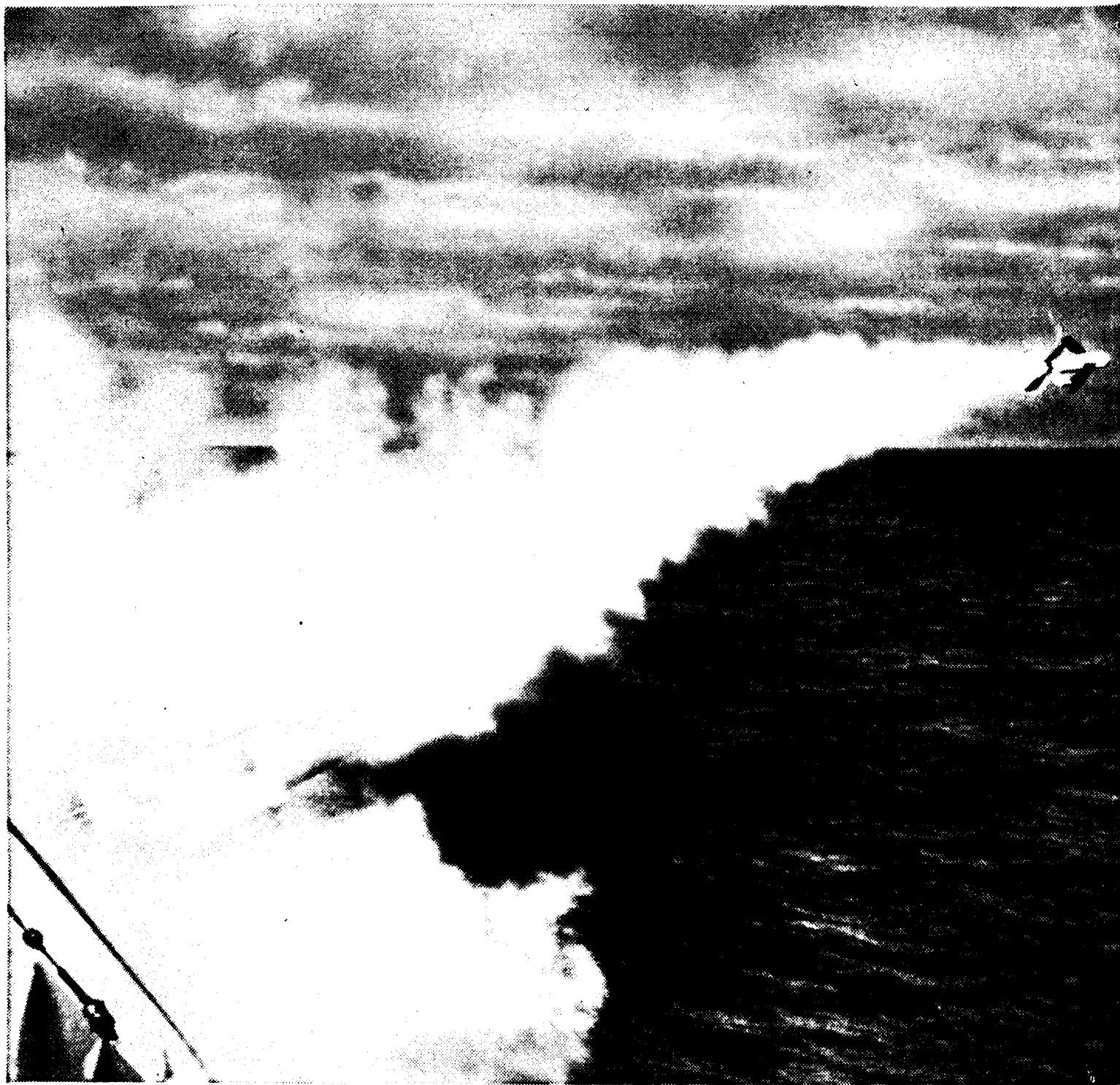
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Town Clerks or City Managers?

FROM OUR SPECIAL CORRESPONDENT



officer of his council. This last responsibility is, in order of traditional priority, the most important that a town clerk holds; and it is from this fact that stem the grounds for such criticisms as one can make of the system of appointing town clerks.

Basically, they are solicitors, who have come up through a local government legal department:

URBAN redevelopment is the new fashion. All over Britain large towns are seeking space to put their surplus population, to redevelop their slums; small towns are looking for people to man the new factories that should bring them a fair share of prosperity; shopkeeping communities are trying to give a better service (as car ownership grows, the competition is more than ever between rival shopping centres, rather than between rival shops within a centre). And everyone is battling with the traffic that all this generates. Almost 300 large urban authorities—over a third of all those in Britain with a population of over 50,000—are at least thinking about how to redevelop their town centres away from the familiar Victorian pattern of the High Street, where traffic, shops, Fords and schoolchildren so incongruously mix. And at the centre of each one of these schemes stands a small group of people to whom—perhaps because of their own immaculate self-effacement—far too little attention has been paid. There are 431 town clerks in England and Wales—which means clerks to local authorities with the dignity of county boroughs (83 authorities), metropolitan boroughs (29 authorities) and just plain boroughs, and with populations between 5,000-minus and 600,000-plus. (There are also, of course, many more clerks to county, urban or rural district councils.) But the first comprehensive study of who town clerks are and what they do is published this week.*

The town clerk's job has grown up, in typically English fashion, very very slowly since its vague origins in the fourteenth century. Bewigged at civic functions, the clerk must often appear a less important figure than the gold-chained mayor behind whom he walks—and just as overlaid by the weight of tradition as the worthy shopkeeper or trade unionist who for his year symbolises the city's pride. But, like so many seemingly ancient British traditions, those of the town clerk's office had their true beginnings in the cities of the later nineteenth century. Only in 1929, after a royal commission, was the clerk's civic place truly delimited—and it is still changing fast. Amid a mass of information—and sometimes concealed amid an excess of generalities—Mr Headrick makes a sturdy case for saying that it is not changing fast enough. Above all he points out that, in borough councils with no strong ruling party, and with no strongly dominating personality, "the consistent overall policy, the integrated programme for borough or city improvement, is not there." The unscholarly observer can venture to add that, in such boroughs, strong town clerks have sometimes most notably overcome the deficiency.

The town clerk's job is, of course, a fiendishly hard one. He is cabinet secretary, but infinitely more exposed to local political conflicts and the sniping of the local press than any national government servant. He is the council's policy co-ordinator (both between the various urban services and between urban and national officialdoms), a mine of information for the councillors—and often, one must gratefully record, for visiting journalists—and the senior legal

outside London all clerks of boroughs with over 60,000 population are solicitors. This means two things: that brilliant local government officers in other departments have next to no chance of getting the top job, and that most town clerks have had a training which (however well they may succeed in surmounting its limitations) is depressingly narrow. This may soon improve. Since the democratisation and expansion of the universities, and the granting of greater concessions to graduates by the Law Society, far more solicitors are now passing through university: Mr Headrick shows that a far higher proportion of those now on the ladder to town clerkships are graduates than is the case with the present incumbents. There is, of course, a strong case for putting the highest local government position in the hands of the man who takes legal responsibility for the council's orders, who must prepare its case for presentation both before the courts and before government inquiries, and who will prepare any bill that a local authority may wish to present to parliament. But there is now a vital case for securing as town clerks the best administrators, rather than the best lawyers: as the executive

Town Clerks' Professions

	per cent
Solicitors:	82.4
Barristers:	2.9
Accountants:	3.9
Others:	12.1

The non-solicitors form a majority of town clerks only in the 86 boroughs with less than 10,000 population: they appear again with 22 per cent of clerkships of metropolitan (London) boroughs. 64 per cent of town clerks began in local government as assistant solicitors (juniors in a town clerk's department). 35 per cent of town clerks have university degrees: all but 1 per cent of these are solicitors.

and constructive side of planning falls more and more heavily and urgently on local authorities, the argument strengthens for separating the functions of the chief legal officer and the chief executive of a council.

So far, the present system works rather better in practice than in theory. No doubt there are dud town clerks: but, despite its members' professional blandness, they are sufficiently competitive to ensure that a dud extremely rarely gets to the top—where, of course, the rewards of status are immense. A leading citizen at thirty-eight (the average age on appointment), called Sir by a swarm of junior officers, hob-nobbing with the local councillor-ladyship (or, according to taste, with the local councillor-trade unionist), the clerk's eminence in his own bailiwick is godlike. The money is good, too (Mr Headrick's book is out of date here: there was a 12½ per cent salary increase in October, 1960). In a borough of under 10,000 people the town clerk starts at £1,040 a year: but at 60,000 population the ceiling is £5,175, and various registration, election and other legal fees can add another £1,000 in a lucky year. But it may well be the pleasures (and high responsibilities)

* The Town Clerk in English Local Government, by T. E. Headrick. Allen and Unwin. 220 pages. 25s.

of the life that are the great reward. Town clerks in even a small authority will practically never contemplate a subordinate job, however much more highly paid, elsewhere: indeed there seems to be a trend, contrary to economic rules, to move to pleasanter jobs against the direct draw of cash rewards (a casual acquaintance with the town clerks of some middle-sized, expanding, southern towns suggests that these, and not the highly-paid masters of some murky

northern city's vast machine, are the top talents of the profession). If this is so, town clerks are accurately reflecting the values of their society and, by the administrative talents of the best of them, accentuating that southward drift which is more fully dealt with below. Which, for a radical, makes it tempting to suggest that the time has come when professional managers, rather than gentlemanly lawyers, would be the ideal chief executives for the city of the future.

Counterdrift tactics



THE latest figures for the issue of industrial development certificates only confirm statistically what has been apparent to the naked eye during the past financial year. The drift to the south-east of firms and workers continues: of all development, the London area alone had the largest share, with 7.1 million square feet, well ahead of the northern region, with 5.3 million: and even that was appreciably better than Wales, whose additional industrial floor space for the whole principality was less than 2 million square feet. The Government's decision now to initiate a comprehensive survey of development trends is nonetheless welcome for being puny in relation to the tidal force of the flow into the "coffin."

One of the suggestions to be explored in terms of the survey is that new areas of industrial concentration should be developed, offering facilities and attractions in adequate rivalry to the south-east. The Government has come rather late on to this scene, but has still managed to achieve prominent public utterance of a line which has been pursued more self-effacingly by less official bodies for 20 or 30 years. Possibly the development associations which have for so long been trying to achieve just this result will not mind being upstaged, if only because it will show that notice is at last being taken of them. With one exception, that of Northern Ireland, they have all along worked without the sort of co-operation which might, by now, have made some impression on their unemployment and denudation had it been forthcoming.

There are, as far as can be discovered, eight of these associations operating in Britain from, roughly, the development districts as defined in June: Scotland, the north-east, north, mid and south Wales, Merseyside, the south-west and Northern Ireland. Each has its own problems, peculiar to itself, but they share certain obstacles to their proper advance into that legendary state of affluence of which the south-east is the pattern. All of them are areas that once prospered on primary

industries, now declining. All of them suffer more or less from transport inadequacies. All of them suffer from the gearing of the whole economy to its most flourishing part, so that measures designed merely to contain inflation may result, for them, in real hardship.

In their organisation the associations are similar: a small permanent staff will be backed by the membership and subscriptions of a large number of industrialists, trade unionists, bankers, local authorities, chambers of commerce, other corporate bodies and individuals. They are non-political, or perhaps non-partisan. What pressure they muster must be exerted through MPs and through what doors may be found open in the civil service—notably the Board of Trade which, though it has no mechanism for arranging liaison or co-ordination between the various development councils, is anxious to take note of their opinion (backed as it is by a vast reservoir of voluntary expertise) when matters affecting industrial development in their areas arise. This fund of experience and advice is the strongest weapon in the councils' armouries, putting at their disposal the kind of information about their regions which would otherwise require intensive research on a scale quite outside the scope of their incomes (all of which comes from subscriptions and is, considering their assumed responsibility, extremely low: in no case does it exceed £100,000, and in most of them promotion, research and administration are carried out on budgets which would not satisfy the household needs of a Top Person in London).

The specific task of a development council is, broadly, to stop the drift and then to reverse it. This means initially the expansion of existing industry, if it is not patently dying on its feet (and not all the councils are as realistic in this respect as they might be).

Ideally it involves information, practical aid (in the form of planning rather than cash), the capture of new markets (there are increasingly frequent safaris to North America, Scandinavia and western Europe)

and the smoothing away of the social obstacles which movement from declining old to expanding newer industries involves. Secondly it means the persuasion, by every means short of blackmail or physical force, of the reluctant businessman away from his Mayfair office to see for himself the advantages in terms of labour, sites, rates and (less positively) services, which most of the regions undoubtedly possess over the south-east: like the job applicant without paper qualifications but with plenty of talent, once they get as far as the interview stage they are often successful. All of this is uphill work: Scotland, for instance, must find an extra 40,000 jobs a year—15,000 to absorb its new and unemployed labour and 25,000 for the men who are being laid off from mines and shipyards.

The reconversion of the regions is, in fact, going ahead at a much better pace than is generally acknowledged: Northern Ireland has managed to persuade 180 new firms into the country since 1946, many of them American (and the Scots have made a specialty of Americans, too). But the Northern Irish Development Council is in the advantageous position of being a department of government, financed by direct grant (£40,000 a year) and able to get an answer within days to questions about the amount of grant available for the setting up of a new factory which in Great Britain may take months of percolation through the Board of Trade and its off-shoots. Yet others, notably the North East Development Council under the driving enthusiasm of Mr George Chetwynd, do very well for themselves, cajoling from the Board of Trade cash for grants, loans, the erection of advance factories; and themselves providing continuing service to the new investor. There is increasing competition between regions for the industries seeking fresh fields, with complaints of Irish body-snatching from some British regions; under Westminster's dispensation approved loans and grants amounted to £18.5 million in 1960 compared with the £9 to £9.5 million spent annually in the same way by the Northern Ireland government.

Whether the country can continue to depend on the goodwill of bodies such as these is a question easily answered: it cannot, if only because the major policy decisions affecting the unfortunate regions (such as railway closures, delays in road-building, refusal to impose differential fiscal measures on varying regions) are all made in London. Even the Scots (and to a lesser extent the Welsh) who have ministers and civil servants of their own say that the last word invariably rests in Whitehall.

LETTERS

Consumer Protection

SIR—I quite agree with your remark (November 17th) that "The strength of current . . . legislation about short weight . . . lies in the efforts that local authorities put into enforcing it." The future of the weights and measures inspectorate is far more important than the cluster of individual rules in the Weights and Measures Bill dealing with methods of selling vanilla pods and single toffee apples.

The role of the inspectorate should be increased. Already many weights and measures inspectors are taking action under the Merchandise Marks Acts. This practice should be extended throughout the country. At the same time I would like to see the inspectorate given specific power to bring cases under the Sale of Goods Act (1893) or to "maintain" important cases under this act that have been started by aggrieved consumers. These changes would transform the weights and measures inspectorate into a local consumer protection service, which is what it should be. Incidentally this bill provides an admirable opportunity for changing the name of the inspectorate so that it is officially known as the Local Consumer Protection Service. "Weights and Measures" has an awfully dull sound.

I wonder, however, whether you are right to give so much importance to a proposed law to stop private guarantees depriving a shopper of his rights under the Sale of Goods Act. I contemplated trying to introduce this sort of bill in the last session. I turned to another aspect of consumer protection when I received legal advice that signing one of these private guarantees presented by manufacturers or traders would not in fact stop an angry and determined shopper from getting the protection given by this act. I was advised that this vital point has never been tested in the High Court in the 69 years that this law has been on the statute books.—Yours faithfully,

PHILIP GOODHART

House of Commons, SW1

Cuba

SIR—Week by week you entertain your readers with a survey of world affairs and advise the rulers and statesmen of other lands as to the course they should pursue in the difficulties with which they are confronted. But is there any check on what you previously said on the same subject?

Under the heading 'Cyclone Cuba' on October 10th *The Economist* referred to the dangers which might ensue if the Ameri-

cans concluded that they had won a decisive victory in the 'contest of wills' and proceeded:—

If this interpretation were adopted by Mr Kennedy, certain conclusions would inevitably be drawn in Washington. The Americans would decide that they could press ahead with their demand that the Russian missiles already in Cuba must be dismantled, and if necessary enforce their will by military action. . . .

If Mr Kennedy is really as alarmed as he says he is by the arrival of Russian missiles in Cuba, the reports that he would like to winkle out those that got there before the blockade was imposed may yet receive a grim confirmation.

Well, is that not exactly the line taken by Mr Kennedy? Did he not demand, under threat of action, the removal of the missiles already in Cuba? It would thus seem that Mr Kennedy took a course which *The Economist* plainly regarded as perilous; but what does it say of him in its publication of the following week (November 3rd).

He [Mr Kennedy] played his hand as a strong hand should be played: the bid called exactly, the moves unhesitating, the objective, once stated, adhered to. . . . Mr Kennedy thereupon showed that he knew not only how far to go, but precisely where to stop.

Of course nothing succeeds like success and this may explain much in the philosophy of *The Economist*, but the reader is left to meditate on a further passage in the same issue:

But face can be lost and won again, words eaten and forgotten, faster and more easily than logical minds suppose.

The Economist should know!—Yours faithfully,

JOHN TONKYN

Pietermaritzburg

Railways

SIR—Your observations on the "not so little budget" included a timely warning against relying too much for a general economic revival on an "awkwardly seasonal industry" and against ignoring the implications, in terms of "real resources" and indirect costs, of a sudden cheapening of the cost of motoring. Much under-employed industrial capacity and labour, including railway and workshop labour, might be usefully redeployed by a sustained policy of main line electrification. The traffic density graphs produced by Dr Beeching show that a high proportion of those railway lines which will form the backbone of our country's future railway network carry, or can be made to carry, traffic of a density which makes electric traction an attractive economic proposition.

Diesel traction—although greatly superior to steam—does not provide the speedy acceleration, flexibility in traffic and high cruising speeds which are rapidly making inter-station speeds in the 70-80 mph range

the standard of performance on the electrified lines of the Continent. Large-scale rail electrification over some 10 years would help to solve various redundancy problems; it would also broaden our industrial basis and thus help our exports. A high proportion of our freight traffic could travel in goods trains hauled by electric locomotives during night time, when the marginal cost of electric power is low.—Your faithfully,

Henley

RALF BONWIT

Teaching Machines

SIR—The "Grundytutor", produced by International Tutor Machines, bears a striking external resemblance to the AutoTutor Mark II of US Industries, Inc. (Home Report, November 3rd). However the Grundytutor is not sold at half price; it costs £230, and the British-made AutoTutor Mark II £295. For it, US Industries have completed more than 25,000 frames of instruction in a variety of subjects of general interest, ranging from electronics and computer programming to English grammar and contract bridge. A 7,500-frame course on mathematics for "O" level is now being evaluated.—Yours faithfully,

W. S. McD. MITCHELL

London, W1

US Industries

India Invaded

SIR—In your article of November 10th (page 546) you say: "Fear of a Chinese bid to seize the whole of Assam—which in past centuries has experienced other Chinese invasions—etc." When?

It is true that China moved an army of 70,000 men over 2,000 miles into Nepal about 150 years ago, through Tibet, and defeated the Gurkhas at Tengri Maidan. But history reveals no incursion into Assam. Early in the 13th century the country was overrun by the Ahoms, a Shan people of the Tai race. In 1253 the valley was invaded by the Moghuls, and in 1337 once again under Mahomed Tughlak, when they planned to invade China, though the monsoon successfully defeated both sides. Early in the 19th century the Burmese captured Assam, and it was from their clutches that the British rescued the country in 1826. But I think there are no grounds at all for attributing any of the sufferings of the unfortunate Assamese through the centuries to the Chinese until the present year.—Yours faithfully,

STEPHEN DEWAR

Dorchester

To the Editor

SIR—Your letter from the Editor does not really explain why you consider that the opinions of your readers are worth only one

page in an edition of over a hundred. This is a very low proportion, far smaller than that of most other serious newspapers and magazines.

Why? Surely the extra cost of one or two more pages devoted to your readers' views would not be prohibitive? If it is, why not charge those companies, to whose appalling dull annual reports you regularly give eight or more pages, a little extra for the privilege of boring us to tears, and use the extra income to pay the cost of publishing more letters?

I am sure that it is not just a minority of your readers who would prefer you to print more letters. By all means prune them of excessive verbiage; most of them could do with the sub-editor's red pen. Prune this one if you wish. But please, could you not allocate more room to letters to the Editor, at the expense of other items if this is the only way?—Yours faithfully, L. YOUNG
London, NW4

Points

THE main cause of our objections to the uncontrolled entry of Japanese wool products under the new Commercial Treaty

LETTERS

(November 10th) is the dual pricing practised by the large Japanese trading corporations. The Japanese can flood a market with subsidised goods at prices with which Western manufacturers cannot hope to compete. In the United States this led directly to defensive measures. Even Hongkong, where wage rates are lower than Japanese levels, had to call for the suspension of imports of Japanese worsted yarn. G. E. BIRKENSHAW, Chairman, The Wool Textile Delegation, Bradford

PLEASE note (November 17th) that South Africa is not now a Commonwealth country. SYDNEY D. BAILEY, London, N2

YOU criticise the Legge-Bourke Bill on estate agents (November 10th) but those who have been the victims of unqualified estate agents would gladly take the risk of some restrictive practices on the part of those that remained, more particularly if as part of the operation there was an upgrading of standards of conduct generally. *Caveat emptor* is a harsh doctrine in a case where the average purchaser is only in the market once or twice in his life. J. P. H. WALTON
London, SW20

THE ECONOMIST NOVEMBER 24, 1962

IN discussing the British tourist industry (October 20th) you omit the obsolete methods of treating man's best companion: the dog. The British law provides for dogs to submit to a long period of quarantine prior to having a chance of moving about in your country. It is for this reason that we are forced for our family holiday to fall back on Italy, Austria, Germany, France, Spain, etc., continental countries which offer access without any delay even to our tail-wagging companion. R. WITSCHI
Basel

YOU state (page 218, October 20th) that Nelson Mandela's lawyer was not allowed to defend him when his trial was moved from Johannesburg to Pretoria. This is not true. He was, but Mandela decided at the last minute to defend himself, although his lawyer was sitting in the court. ARNIM KOCH, Paarl, Cape

Unless correspondents specify to the contrary, the Editor reserves the right to prune individual letters to fit the space available.

thinking and saying the right things, making as if to do the right things; but the right results never ensue. The stream of action seeps away into the sand, the conflicts of principle grow inconclusive and irrelevant and are lost to view. What exactly was it, in the Abyssinian affair, that Hoare had to resign about? Not two months before, Hoare had gone off to Geneva and had made a splendid speech to the Assembly, containing that lapidary statement:

The League stands, and my country stands with it, for the collective maintenance of the Covenant in its entirety, and particularly for steady and collective resistance to all acts of unprovoked aggression.

Lord Avon found the firm language of this speech a puzzle, and finds it a puzzle still. Hoare, when he came to write his memoirs, was still a bit baffled that the speech had been such a success. He could never see that there was anything in it that he had not said before, several times, without waking the House of Commons up. But the occasion was special, the audience was different, and the world was listening intently. Only, of course, it made no difference to the actual European situation; the diplomatic problem for the British Government remained as it had been, to agree its actions with M. Laval and such other sparse associates as it could find. Those actions did not amount to any more than they would have done if the speech had never been made (as it might not have been, one may guess, if Mr Baldwin had been in the habit of paying attention to foreign affairs).

A few weeks after, Hoare made his Abyssinian deal with M. Laval, and came

THE ECONOMIST NOVEMBER 24, 1962

to grief. His speech had said things that ordinary people could understand and wanted to hear. Now the reality was different; and, what was worse, Hoare was on holiday in Switzerland when he should have been in London explaining himself; worse still, he broke his nose skating. Mr Eden thereupon became Foreign Secretary.

Eden's first term as Foreign Secretary saw a not dissimilar dreamlike sequence repeated with the Spanish Civil War and the bearing down of overwhelming German pressure on Austria. Again the right processes of thought were gone through, and the right things said; but the actions rarely followed (two notable exceptions, each in a limited field, were the Montreux and Nyon conventions). Why not? Perhaps there was nothing to be done. Perhaps a clue is to be found in Mr Eden's interview (his first for three months) with Mr Baldwin in October, 1936. Eden tried to explain about the Spanish war; Baldwin listened absently and answered: "Have you had any letters about the King?" (that is, about Edward VIII and Mrs Simpson). The country was going through a bout of self-absorption; foreign relations were a bore.

Mr Eden's relations were more sharply polarised with Mussolini than with Hitler; it seems to have been the Italian, more than the German, who provided him with the prototype for his drama with Nasser twenty years later. In retrospect, we can see that Mussolini was not the success that, at the time of the Spanish war, he appeared to be. But in Spain he did choose his side and back it, and it won. Lord Avon records that he, at the outbreak of the civil war, had "no political sympathy with either side," but

From the early months of 1937, if I had had to choose, I would have preferred a Government victory.

Whether he had to choose or not, he did not do so, but went through the surrealist performance of non-intervention while the Italians and Germans backed their fancy. By a final irony, it was non-intervention that dragged him into the battle of wills with Mussolini that Chamberlain found intolerable. Eden did not want talks to start with Mussolini while the Italian troops remained in Spain. By the time he resigned, refusing to accept Chamberlain's ideas of personal diplomacy, Hitler was poised to take Austria, and the European balance of power was about to tilt sharply in favour of Nazi Germany. Vienna fell within a month of Eden's resignation; after that, what Mussolini did or did not do was of merely local and tactical interest.

A macabre sidelight, provided by Mr Eden's kissing-hands interview with King George V after Hoare's fall, may as well be repeated. The King related what passed when Hoare handed in his seals of office:

I said to your predecessor: "You know what they're saying, no more coals to Newcastle, no more Hoares to Paris." The fellow didn't even laugh.

Contrary to report, this is not the only joke in the book. There are others on pages 122, 139 and 283.

BOOKS

Father and Son

The Nehrus: Motilal and Jawaharlal

By B. R. Nanda.

Allen and Unwin. 357 pages. 30s.

MR NANDA, a careful historian, writes well. His book on the Nehrus is illuminating and a must for students of twentieth century India. Those who blame the Kashmir Question on Nehru's Kashmiri origin will be surprised to discover that the Nehrus left Kashmir in 1716. Those who wonder why Gandhi chose Jawaharlal Nehru as his heir although he felt that he was "going too fast", and that the "difference between us is so vast and radical that there seems to be no meeting ground between us," will find the answer to their question in Motilal's letter to the Mahatma in which the elder Nehru urges that his son be made Congress President because "the revolt of youth has become an accomplished fact; . . . this would indicate that the need of the hour is the head of Gandhi and the voice of Jawaharlal."

The political background against which the evolution of the characters of the two Nehrus takes place is painted in careful, simple, masterly and complete strokes so that even the uninitiated can feel the compulsion of events and the crises of conscience. The elder Nehru, who loved Britain, was by nature a flamboyantly proud Rao Bahadur, honoured to be invited at Viceroyal tables. The younger Nehru felt so British that he did not have to "love" Britain; he only judged it and saw no justification for Viceroys any more. A clash between father and son was inevitable. The father wrote to warn his son to stay well away from the Majlis or any "native Club" at Cambridge; the son accused his father of being "immoderately moderate".

Mr Nanda brings young Nehru to life better than any of his biographers; he has, thanks to hitherto unpublished letters and reminiscences, conjured up Nehru at Harrow and Cambridge to the extent of making him a real young man instead of the remote silhouette so faint that it fails to impress except by its loneliness. Young Nehru is not the goody-goody bent upon self-education and politics he was to become later in gaol, where he enjoyed his sabbatical rest so much that his father wrote to him in disgust:

I was pained to find that, instead of affording you any relief my visit had the effect of disturbing the even tenor of your happy gaol life. Please do not bother about me at all. I am as happy outside the gaol as you are in it.

Mr Nanda's Motilal has the spontaneous panache of the self-made grand seigneur, who celebrates his daughter's birthday in a German watering resort by inviting 400 unknown schoolgirls to tea and on his deathbed warns his sorrowing family not to pray for him "because he had made his own way in this world and hoped to do so in the next as well." Asked what Motilal's greatest quality was Gandhi once said "Love of his son, for his love of India was derived from his love for Jawaharlal."

Motilal's conversion was not easy; indeed, love of his son would not have been sufficient had it not been for British blunders. Mr Nanda analyses those blunders one by one. And it was the arrest of the Ali brothers, and not the shooting at Jallianwalla Bagh, which marked the point of no return for Motilal Nehru.

The book ends with Motilal's life. One can only hope there will be a sequel. So far nothing that has been written about Jawaharlal Nehru has been so penetrating and scholarly. It is a pity, however, that discretion, for it could not have been ignorance, should have made Mr Nanda dismiss as an unsuccessful journalist Sayed Hussein, whom Mrs Naidu used to call the "real father of Pakistan."

Merchants' Services

The Rise of the English Shipping Industry

By Ralph Davis.

Macmillan. 436 pages. 50s.

THIS is a valuable book. One would like to use the reviewer's cliché and say that it is an important addition to the literature of the subject. But the truth is that Mr Davis has written a unique survey of the shipping industry in the seventeenth and eighteenth centuries. As he says,

Hardly anyone has ever attempted to examine the practical functioning of the shipping industry before modern times, and the material reasons for its growth.

The Victorian shipowner W. F. Lindsay tried to do it a hundred years ago. Since then the interest in economic history has produced innumerable articles in specialised periodicals, of which Mr Davis himself has written some of the most valuable, and most of which are usefully listed here. Particular trades and some of the ports have been studied, and there was a time when it looked as if Professor Northcote Parkinson would provide the general maritime history so badly needed, but he found a wider interest in laying down the Law.

The particular value of this book is its firm basis on the records of the High Court of Admiralty, the Port Books, the Seamen's Sixpences registers and the like. Until the General Register of Shipping in 1786, statistics are hard to come by, except by such indirect means. Few business records have survived from those centuries. Shipbuilders built by eye and dispensed with models or plans. It is therefore exceptionally difficult to trace the pattern of such an important and widespread economic activity.

It is an error to suppose that the people of this country had the salt in their blood. Even at the end of the Tudor epoch there was only a small amount of shipping, performing limited services, except in the fisheries. The Dutch then seized the initiative with the invention of the *fluyt*, until in the second half of the seventeenth century we discern the rise of Tyneside. Exactly

what sort of ship was responsible for this growth it is hard to say: Mr Davis suggests the pink or snow as a new general trader, though the distinction between the tramp and the liner was then unknown. Whatever the reason, whereas the population of the kingdom only doubled, shipping increased seven-fold and maritime trade was chiefly responsible for the growth of London, where about a quarter of the inhabitants were in some way connected with the port. A sequence of wars slowed up the advance, until the pace quickened in the middle of the eighteenth century with larger ships, wider colonial trade, and more labour-saving devices, which reduced the size of the crew and hence lowered the cost of freight. When the transition came from carrying natural products such as coal and corn to Europe to the export of manufactured goods to all parts of the world, the industry was flourishing, and it is at this point, on the eve of the industrial revolution and of British maritime supremacy, that this survey ends.

British sea power has always depended on a strong fighting fleet and a flourishing merchant marine. It was from the latter that warships were largely manned in the days of impressment, and it was therefore to encourage it that successive governments pursued a strongly protectionist policy. The industry may have suffered in time of war from the chartering of its ships and the conscription of its crews, but it benefited by the wider markets thus won. Gone were the days when every voyage was an adven-

ture in every sense of the word. By 1775, when a third of British shipping was American built and the industry faced ruin by the revolt of the American colonies, sufficient advance had been made in other parts of the world to give the impression of an industry settling down to an unromantic but gainful routine.

Dilemmas

Discord and Collaboration

By Arnold Wolfers.

John Hopkins Press. London: Oxford University Press. 300 pages. 48s.

WRITINGS on the theory of international relations are of ill-repute in this country, and deservedly so. They would seem to consist either of attempts to denature the subject so that it ceases to be an affair of individual men or communities making agonising choices, but becomes instead a meaningless minuet of abstract concepts, or, on the other hand, particularly in America, a set of mathematical or quasi-mathematical formulæ that obliterate the distinctions between one set of concrete circumstances and another. From such charges the writings of Professor Wolfers are happily exempt. Perhaps because he had a distinguished career in Europe before arriving in the United States, and perhaps because he has always insisted on the close contact between the academic student and the practitioner, Professor Wolfers has consistently upheld a role for theory that makes

THE ECONOMIST NOVEMBER 24, 1962 it an adjunct to action and to the understanding of events.

The present volume of essays, many of them new and all linked together by a common concern, provides a very useful introduction to the whole subject of international relations as an academic discipline. He avoids both the neo-realism of those who see nothing but a Hobbesian world of competing states and the neo-medievalism of those who overlook the role of the state altogether in favour of communities and ideas transcending national boundaries. Similarly, he shows the degree to which even the most realistic of statesmen are caught in the necessity of making moral choices.

But although these essays are not to be taken as a commentary on the passing scene, they do bring one to certain conclusions about certain dilemmas, dilemmas that are specifically American but are not without relevance for America's allies. For one thing, Professor Wolfers's views about the nature of international tension makes him very hesitant about the priorities accorded to disarmament in some people's strategy for peace. Still more important and unusual is his insistence that collective defence and collective security are not the same thing, and may even be inimical to each other. In other words, the United States' commitment to a "collective security" interpretation of the charter of the United Nations means that it may, in pursuit of this objective, weaken its ties with countries whose co-operation it requires for collective defence.

He therefore finds himself—and this without specific mention of the Congo—on the side of those who emphasise the mediatory and conciliatory functions of the United Nations rather than those who wish to see an enhancement of its coercive aspects.

Some professionals in international relations may suspect anyone whose writings have so much formal grace of being a lightweight. But pendency and depth do not necessarily go together. One essay from Professor Wolfers is worth the whole output of some university departments.

O'Neill in Prose

O'Neill

By Arthur and Barbara Gelb.

Cape. 990 pages. 50s.

THIS is an excessively detailed, indiscriminating biography of the American playwright that succeeds in spite of itself. The authors (Mr Gelb is a reporter in the theatre department of *The New York Times*) have laboured some six years on their biography of Eugene O'Neill, and in the process they have ferreted out every human being whose life even remotely touched O'Neill's. They have dug back in the files and dusted off the old reviews of his plays; they have assembled material so as to convey, inchoately, an impression of the American stage shortly before O'Neill helped create a new American theatre; and, particularly, they have traced the lines of his life and matched the actual characters and events with those figures he dramatised in his plays. Indeed the authors become so carried away with this last task that at times they sound as though they were chiding O'Neill for changing a date or for falsifying the true nature of a character in *Long Day's Journey Into Night*.

Certainly it is the responsibility of any serious biographer to undertake thorough research into the life and period of his subject. One assumes this has been done. However, Mr and Mrs Gelb appear to have halted at this point. There seems to be no selection, on their part, from among the details; no arranging of the events in anything other than a chronological order; no assimilation of the material. All of this results in an absence of viewpoint, a gap where perceptive critical intelligence should operate. In short, we are presented with the material of O'Neill's life, but no biography. (Unhappily, the absence of imagination is reflected in the language; it is truly a book without style.)

And yet the book has a certain fascination. For O'Neill's life was as compelling as it was doomed. The family character sounds as cursed as a Greek legend. A drug addict for a mother; a famous nineteenth-century actor for a father; an alcoholic, defeated elderbrother; these were the props and main characters in O'Neill's own family drama. His life and the lives of his three children (one, a famous Greek scholar and translator, committed suicide shortly after he turned forty; the other son, by another

marriage, became a drug addict and lives in relative poverty in the eastern part of the United States; his youngest child, Oona, married Charlie Chaplin, a man more than forty years her senior) seem to have borne more than their share of the family tradition.

It is this grotesque history, as well as his importance as an American playwright, which make the book worth reading. Today it is all too clear that even his great plays (*Mourning Becomes Electra*, *Desire Under the Elms*, *The Emperor Jones*, *Strange Interlude*, *The Iceman Cometh*, *Long Day's Journey Into Night*) were often cluttered with banal ideas and embarrassing, artistic nonsense. None of these somehow mitigates his stature as the major writer of the American theatre. He was perhaps the only tragedian that country has produced; and it would appear he wrenched that tragic vision from the pain and anguish of his own life (and character). Perhaps his greatest failing as a playwright was his inability to find an adequate language that could portray that vision. His biographers certainly have failed to find a language and a style to portray that life.

The Wide Vision

The Grand Design

By Joseph Kraft.

Harper and Row, New York. London: Hamish Hamilton. 122 pages. 21s.

PRESIDENT KENNEDY'S Trade Bill seems to have passed through Congress substantially unscathed—in marked contrast to so much of his programme. At the same time the United States has continued in its zealous encouragement of the European common market and Britain's participation in it. There is a seeming paradox in this determination of the American Establishment to liberalise trade in defiance of powerfully organised American pressure groups and to build up a European power block that could challenge American hegemony. Anyone who wants a simple exposition of the logic behind these policies cannot do better than read Mr Kraft's book.

The author, a free-lance journalist who was one of the President's campaign speechwriters, is deeply involved in the New Frontier and he manages to convey, in a way that no outsider could, the slightly roseate vision that has inspired Mr Kennedy's Grand Design of Atlantic Partnership between a rejuvenated America and a united Europe. Lowered tariffs and international commodity agreements, combined with the consolidation of the Six and their new recruits, are seen as a panacea for the weaknesses of the West—in particular for the American balance of payments difficulties, for the need of the underdeveloped countries for aid and trade, and even for the domestic economic and social problems of the United States.

This is an informed, wide-ranging, and optimistic *exposé*. It was written earlier in the year as ammunition for the summer's battle in Washington. It was read in the

highest quarters and received considerable critical acclaim. Although the immediate battle has been won, it is still very timely reading in Europe. Its theme will, on the whole, commend itself to observers here, though they will be sceptical of the *simplicite* nature of some of its assumptions and solutions. It reflects a generous and imaginative view of the world scene, an American largeness of mind that stands in sharp contrast to the parochialism of much recent British argument over trade and politics.

Diplomacy 1860-70

Bismarck, the Hohenzollern Candidacy, and the Origins of the Franco-German War of 1870.

By Lawrence D. Steefel.

Harvard University Press: London, Oxford University Press. 292 pages. 52s.

IN 1862 Bismarck sat next to Disraeli at dinner at the Russian embassy in London. Later in the evening Disraeli said to Saburov, of the Russian embassy:

What an extraordinary man Bismarck is! He meets me for the first time and he tells me all he is going to do. He will attack Denmark in order to get possession of Schleswig-Holstein; he will put Austria out of the German Confederation; and then he will attack France—an extraordinary man!

The story was accepted by the official biographers of Disraeli, and was vouched for by Saburov himself. It is a major impediment to all historians who—in the modern fashion—would depict Bismarck as the brilliant opportunist, grasping all eventualities that could be made to serve his own ends but never sure long in advance what would have to be done. Mr Alan Taylor dismissed the story (without evidence) as "perhaps manufactured later, like many of Bismarck's own." Professor Steefel neglects it entirely.

Apart from the origins of war in 1914, few themes of diplomatic history have attracted more intensive investigation than Bismarckian diplomacy of the 1860s. Professor Steefel has been able to use all the scraps of evidence that have come to hand since R. H. Lord (another American historian) in 1924 published his masterly analysis of the documents from the German archives. Only five years ago the "secret file" of relevant documents, denied to Lord, was published by Georges Bonnin. The net result is to prove that Bismarck deliberately promoted the candidature of the liberal Catholic Prince Leopold of Hohenzollern for the vacant Spanish throne; that he did so actively from at least the end of February 1870; and that he was not taken by surprise by violent French reactions to the news of the revived candidature at the beginning of July, 1870. When, on July 19th, he received the formal declaration of war by France, he knew that his ruse six days earlier, of editing and publishing the Ems telegram, had succeeded. He had his war: France was technically the aggressor; he was reasonably sure he could win it.

What remains in doubt is how long before that he had wanted and engineered a war

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with France, and with what motives he first pressed Leopold's candidature. Professor Steefel comes as near to giving a final answer as we are likely to get for a long time. But his verdict is still somewhat inconclusive. His book is a model of its kind. It deals with its specific theme lucidly and in meticulously phrased English. It is not of excessive length. It rests on exact scholarship and refined judgments. It includes a dash of that spice beloved of all diplomatic research—arguments based on split-second timing of the despatch and receipt of telegrams. Whatever conclusions can be reached by microscopic examination of documentary evidence are here achieved; no evidence is squeezed to yield more certainty than it can offer. Bismarck comes out of it as more nimbly opportunistic than he later pretended.

Professor Steefel, in short, clears up all the issues that can reasonably be clarified by this close-up focus. As a veteran diplomatic historian, whose admirable parallel examination of the Schleswig-Holstein question appeared thirty years ago, he is well fitted to do it. But can the final judgment exclude a long-range verdict on Bismarckian diplomacy as a whole, and on the nature of German unification? The events of 1870-71 seem more decisively than ever, in retrospect, the dawn of contemporary Europe. The war so wantonly begun, with its prelude of petty dynastic rivalries, inaugurated a new era of national wars that is still with us. Bismarck, if not the master-builder he liked to pose as being, had remarkable insight into the changing character of states and of warfare, and saw the new importance of mass belligerency. The man who edited the Ems telegram was improvising; but his improvisation rested on a profound understanding of the tide of history.

Diary in Defeat

The Ironside Diaries, 1937-40

Edited by R. Macleod and Dennis Kelly.
Constable. 434 pages. 35s.

PITCHFORKED into a job he did not want. General Ironside was not a successful Chief of the Imperial General Staff. He was one of the victims of Britain's lack of preparation for war, and the defeats in Norway and France brought his career, after a brief and not especially distinguished spell of service as Commander of the Home Forces, to an end. Whether he would have been more successful in the field than, say, Gort was can never be fully resolved; but a reading of his diaries does not inspire any great confidence in his abilities. The diaries are edited with proper care. The editors do not put their own gloss on the record, as has happened with more distinguished soldiers; these are the entries that Ironside wrote, expunged of some of the detail that still might wound.

But one wonders if their publication was really necessary. They add nothing that is

BOOKS

new to the history of defeat in 1940; and, though this might have been the editors' intention, they do not enhance Ironside's reputation. They reveal him as an alert and intelligent man but one who appears to have reacted to events from day to day, almost hour to hour, and who does not seem to have tried to impose himself and his views upon them. In that, he lacked the essential attribute of a commander; and towards the end of the diaries, when he saw the world as he knew it (and his career with it) crumbling around him, a disturbing, almost hysterical, note creeps into some of the entries. It is possible to sympathise with his plight without questioning in any way the decision to put him on the retired list. There is the stuff of tragedy in the events that the diaries chronicle but not in the man.

Turning to the Evidence

The Historical Revolution

By F. Smith Fussner.

Routledge & Kegan Paul. 376 pages. 45s.

"HISTORY", wrote Gibbon, "is for the philosophic spirit what gambling was for the Marquis de Dangeau. He saw a system, relationships and an order there, where others saw only the caprices of fortune." The revolution in historical writing in England which made this approach possible occurred, Professor Fussner argues, between 1580 and 1640. His learned and stimulating book shows how new seas were charted by men exploring the past. A new sense of historical development was supported by refined techniques of scholarship; and historians were as daring and revolutionary in their field as were Galileo and his fellow scientists in theirs.

The foundation of this achievement was the great manuscript collections. Elizabeth's reign saw Archbishop Parker arrest the dispersal of monastic records, while Lord Burghley, Camden and Stowe formed private collections. The next century saw Sir Thomas Bodley founding his library and Sir Robert Cotton establishing his great depositary, which surpassed all others in richness, discrimination and professional cataloguing. Private collections were the more important since consultation of state papers required the payment of fees, warrants or influence; and the valuable legacy of Sir Henry Wotton's papers was neglected by the State Paper Office until the nineteenth century. Of the public records Professor Fussner observes that "the cats that caught the mice and rats were themselves sometimes confined in paper".

It was the break with Rome and the political struggles under the early Stuarts that stimulated a search for weapons in the arsenal of history. This might have produced merely an antiquarian accumulation of precedents and purely partisan writing; but instead there developed scholarship of the highest order and an intellectual concern with interpretation. The Elizabethan

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Society of Antiquaries was the first learned society in England with a formal membership attempting co-operative research. But it lacked a clear programme of inquiry and was too fearful both of conjectures and of the risks involved in any "discourse of things present" to survive beyond the early years of James I's reign. Nevertheless from its members came those who inaugurated the historical revolution. Spelman in his comparative study of feudalism made a major contribution to the explanation of social and political structures. Camden sought to apply standards of impartiality to the study of recent history, seeing war and policy as the great subjects and ecclesiastical history as part of the seamless web.

The age produced other great historians. Stowe celebrated the greatness of London, while Raleigh was the moralising historian whose tracing of the chain of Providence made his "History of the World" a best seller influential in forming political opinions. Bacon's achievement, in the writing of history as in politics, had a flaw: he stressed the importance of the individual, but he lacked the training in the handling of evidence. Far greater was Selden, whose "History of Tithes," though stemming from current controversy, showed a powerful and precise scholarship which mercilessly revealed medieval forgeries and exposed the chasm between faith and reason.

Historians will welcome Professor Fussner's book both as a complement to Professor Douglas's "English Scholars, 1660-1730," and as an important contribution to the intellectual history of the sixteenth and seventeenth centuries, a field of inquiry which is now attracting so much interest. They will be awed by the problems that faced their predecessors and humbled by these earlier achievements. And they will be interested in the account of Sir Robert Cotton, a cautionary tale of a scholar who both used and misused his learning for political ends and who sought other rewards besides the academic.

OTHER BOOKS

FREE RESERVES AND THE MONEY SUPPLY. By A. James Meigs. University of Chicago Press. 133 pages. 32s.

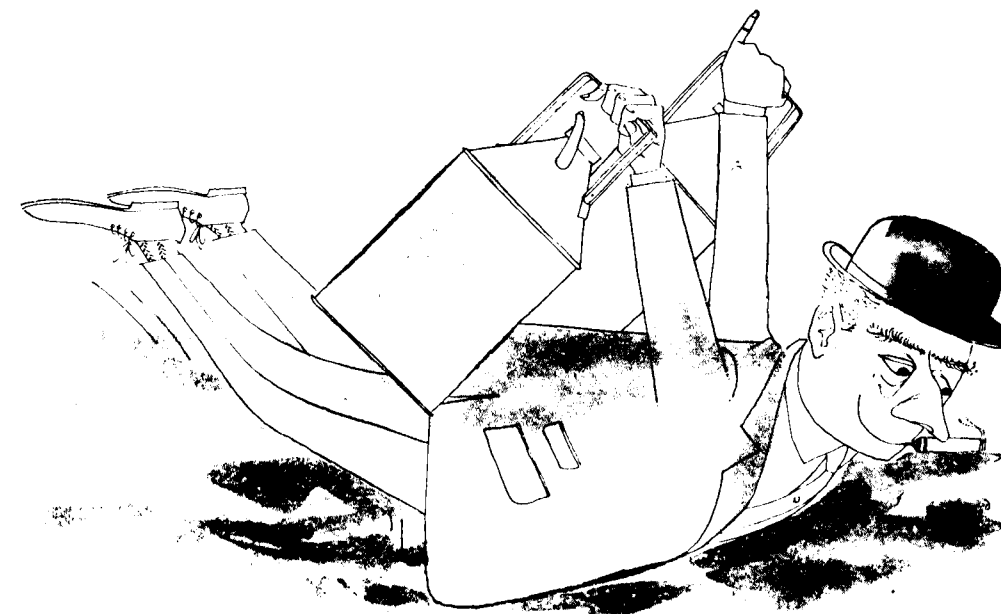
It is generally supposed in the United States that the size of the "free reserves" of commercial banks which are members of the Federal Reserve System show whether bank deposits are likely to expand or contract. Dr Meigs replaces this notion by the idea that whether or not bank deposits will expand depends on the relation between actual and desired free reserves. He argues that the desired level of free reserves depends mainly upon relative interest rates and a seasonal factor. These propositions are tested econometrically, with excellent results. There are few books on banking that combine originality, theoretical rigour, institutional knowledge and sophisticated statistical research techniques in the way this book does.

INTERNATIONAL YEAR BOOK OF EDUCATION, VOL. XXIII, 1961. International Bureau of Education, Geneva. HMSO. 557 pages. 32s. 6d.

WEST AFRICA ANNUAL. Edited by L. K. Jakande. James Clarke, London. 351 pages. 63s.

STUDENTS' GUIDE TO EUROPE. By P. Latham. MacGibbon and Kee. 267 pages. 25s.

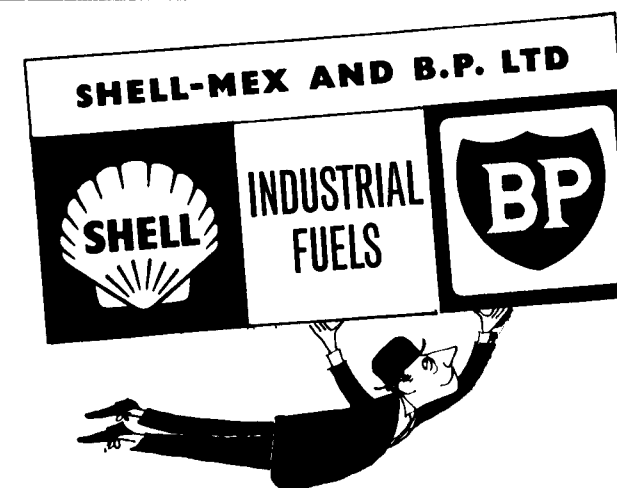
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AID in Need of Aid

WASHINGTON, DC

Mr Passman: *Some of us live with this thing year after year, whereas able directors, such as yourself, come and go. . . .*

Mr Hamilton: *That is one of the reasons so many people throughout the country are confused about the foreign aid programme.*

THE President's need to find, as soon as possible, a successor to Mr Fowler Hamilton, Director of the Agency for International Development, imbues with new and melancholy interest the above exchange, which occurred less than six months ago. Mr Hamilton was appearing before the congressional subcommittee which recommends what funds Congress should allot for the assistance of other countries. Mr Passman, a member of the House of Representatives for fifteen years, is the subcommittee's chairman and had held that post for eight years. Mr Hamilton had then held his for only nine months. He failed to persuade the Appropriations Committee to allocate to his agency the funds which Mr Kennedy had requested for it; subsequently he was made to feel that he had lost the President's confidence. Understandably his offer to resign followed and it was accepted.

Mr Hamilton's successor may prove luckier than he was. But much is bound to depend on the view of AID which is taken by an increasingly critical Congress. Mr Passman scored a considerable personal triumph again this year, when the \$4.96 billion which President Kennedy had requested was cut down by Congress to \$3.93 billion. If AID manages to get along on this budget, this will merely prove to Mr Passman's fellow Congressmen and to other Americans that Mr Passman's constant criticisms of the programme as extravagant were well-founded. Meanwhile, the speedy fulfilment of his prophetic hint about Mr Hamilton is not likely to restore the tottering morale of the foreign aid organisation, which now operates within the Department of State. Mr Hamilton was its ninth head in eleven years, suggesting a rate of mortality surpassing that of Henry the Eighth's wives. And it is said that each year the agency suffers a turnover of 28 per cent in its staff.

From time to time the agency adopts another alias, in an apparent attempt to shrug off past mistakes, but this does not necessarily mean that it acquires a new identity. When Mr Hamilton was appointed last September the organisation was about to undergo one of its periodic rebirths. It died as the International Co-operation Administration. This afforded an opportunity to get rid of some of the 6,300 employees who, because of rules safeguarding the tenure of civil servants, might otherwise have proved difficult to dislodge. Then it came to life again as AID. Its world-wide functions were reorganised on a more strictly geographical basis, under four regional administrators.

In spite of those alterations, unusually widespread praise greeted Mr Chester Bowles, President Kennedy's special adviser on African, Asian and Latin American affairs, when he suggested recently that there was need for a more coherent pattern of aid, in order to remove continuing uncertainty about what it hoped to achieve and how. Mr Bowles proposed that foreign aid should be divorced from inherited political commitments, that the highest priority

should be assigned to countries which are making a genuine effort to help themselves and which stand a good chance of achieving progress and that elsewhere internal reforms, where needed, should be made a condition of continued help. Some countries, which have neither the ability nor the will to put their houses in order, would go to the end of the queue. Such "selectivity" has been endorsed by AID, though it is not to be practiced widely until next year. An even more sceptical approach has been advocated by Professor Hans Morgenthau, who argues that relatively few countries are able to profit from foreign aid in any real sense and that in other cases such international help should be regarded realistically as an arm of foreign policy.

The distinctive contribution of Mr Hamilton, a New York lawyer with a record of public service as a wartime economic administrator, was to have been "Operation Tycoon." The ICA, after being renamed, was to have been revitalised by volunteers from the business world, who would bring to the task the drive and the ability to make swift, tough decisions which professional civil servants notoriously lack. But Mr Hamilton found few businessmen ready to follow his example of incurring heavy financial sacrifices in order to serve the country. He did help to recruit some extremely able men. But his chief prize, a vice president of a big soapmaking firm who was appointed Mr Hamilton's deputy, left AID after only a few weeks and took a job with the National Aeronautics and Space Administration. As a result of "Operation Tycoon" erstwhile manufacturers of dog-food and businessmen from Kalamazoo are serving today as heads of foreign aid missions in exotic Far Eastern posts. But 72 of the 247 officials of the former ICA who were discharged have been rehired by AID and it cannot be said that the organisation is operating in a manner markedly different from that which prevailed under its previous labels and administrators.

Mr Passman has gone abroad to see for himself what is being done with the money that Congress voted last year. Each year he questions expenditures closely, from those for the Republic of China all the way to those for Peru. He does so in a fashion which causes some people to admire his stubborn courage, but which provokes others into comparing him with a prosecutor in an Iraqi People's Court or Judge Jeffreys on one of his bad mornings. The hearings of his subcommittee are enlivened by his dark references to "the people downtown," meaning the Department of State and the White House, and by his ruthless dissection of wriggling officials attempting to justify what he makes no bones about calling their wasteful misuse of the American taxpayers' money.

MR PASSMAN denies that he wants to destroy the foreign aid programme but affirms that he is trying to contain it. His policy of containment is directed against alleged abuses such as under-developed countries employing AID funds to conserve earned dollars with which they then proceed to acquire gold (and gold beds) and AID dollars being spent on the development of nationalised enterprises which were expropriated from American companies. His opinions are shared by a large and increasing number of Representatives and Senators. The foreign aid programme gets bipartisan support. But last month even a cut of 20 per cent, or just over a billion dollars, in the amount of money requested failed to mollify fifty Democratic and fifty-eight Republican Representatives, who voted against the appropriation Bill.

Cellulose d'Aquitaine (St. Gaudens) was designed to produce 140 tons per day of bleached paper grade pulp. In two years of operation, production has increased to 220 tons per day without changes in major equipment.

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A much stiffer attitude towards communist countries was also adopted; this had already spilled over from Congress's feeling about foreign aid into the trade expansion Bill.

Congress seems to have been especially wary this year about two things. One is the alleged attempts by AID to withhold projects in under-developed countries from the sort of detailed scrutiny which members of Congress say that similar projects would receive automatically if undertaken in the United States. Mr Passman said testily that Louisiana, which is his state, would not get even \$50,000 for a drainage project without far closer congressional examination of its feasibility than that given some much costlier foreign projects. The other thing that worries Congress is the difference between the aid which the United States makes available to under-developed countries and that which is offered to them by other industrial nations.

The two things are linked. This year AID proposed that only a third of economic assistance should be in the form of grants and two-thirds should take the form of "development loans." This is a reversal of former practice. But in it Congress thought it detected an attempt either to camouflage or to justify the commitment of funds without close congressional inspection. Mr Passman and others argued that the shift to development loans—which run for forty years, with a "grace period" of ten years, and carry a small service charge but no rate of interest—could not justify Congress in taking anything on trust nor AID in behaving as if it were a bank. Congress insists that its constitutional function of scrutiny must still be exercised and dislikes the lending of American money without interest while German money is being loaned at 3 per cent or more.

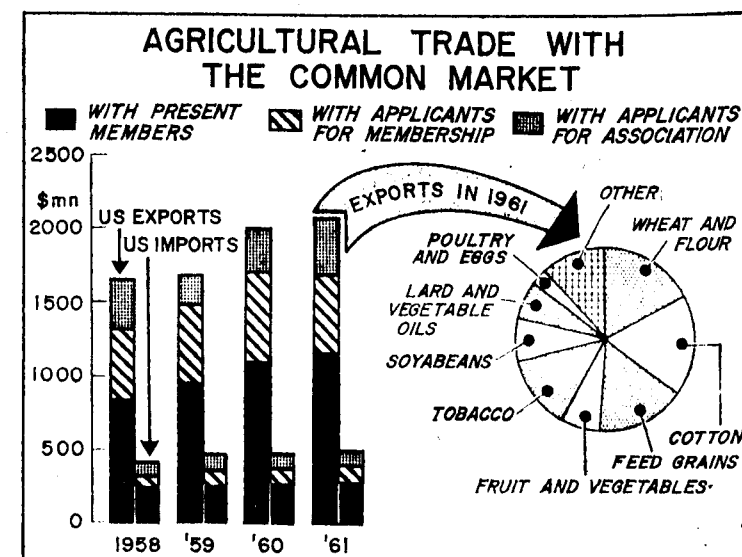
Americans in general feel that there are now too many new, needy and usually over-populated nations for the United States to cope with undaunted. European countries, and Japan, are lending more money than they did and on easier conditions. But under-developed countries, by definition, cannot accept more than a limited number of even soft loans. Channeling aid through international organisations like the Development Assistance Committee encounters the difficulty that assisting countries, including the United States, tend increasingly to insist that the assisted ones spend the aid on the donor's exports, for fear that otherwise it will create or aggravate a balance of payments problem. Cutting across such considerations are cold war fire alarms, such as the need, at least until this week, to rush hoses to the Himalayas or to help Indonesia despite gross disregard of the rules by that happy-go-lucky country. These are some of the problems that the new administrator will face. No American envies him, least of all Mr Hamilton.

More Freedom for Food

THE President should be grateful to a suspicious Congress for obliging him to appoint a top official to be responsible for all aspects of bargaining for tariff changes under the new Trade Expansion Act. This has enabled Mr Kennedy to give the job to Mr Herter; his outstanding qualifications are not only that he is a Republican and a former Secretary of State but also that as a member of the House of Representatives he sold the original Marshall Plan to Congress fifteen years ago and that as a former Secretary of State he was equally helpful in getting the Trade Expansion Act through this year. Mr Herter knows the complications of his job before it begins. His immediate concern, and that of his special staff, involves something even more urgent than the preparations—hearings in Washington and so on—for the first round of bargaining with other countries under the new Act, due early in 1964. He must involve himself at once, in a watching capacity, at least, in the affairs of the European Economic Com-

munity. As a leading advocate of Atlantic partnership he is all for bringing Britain and other new members into this common market. As a strong believer in expanding trade he shares Washington's fears of the restrictive tendencies of the present members.

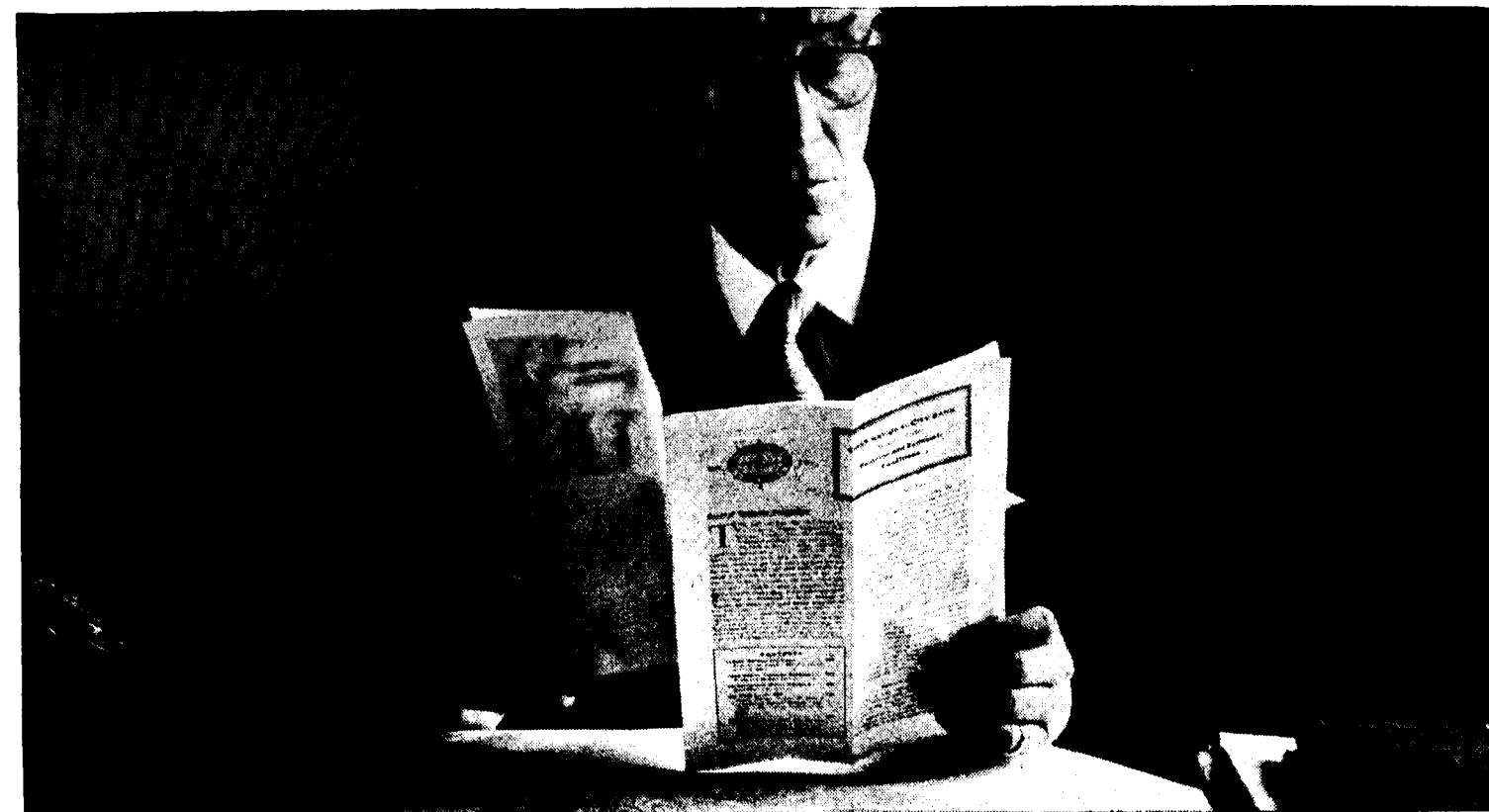
Those fears were expressed most forcefully and threateningly last weekend in Brussels and Paris by Mr Freeman, the Secretary of Agriculture, speaking perhaps rather more on behalf of the politically-powerful American farmer than of the Administration, but certainly hoping to check the present European menace to American agricultural exports. His most pressing complaint is against the new European import fees on poultry; while American exports of chicken and turkey are not large, nearly two-thirds are to present and potential members of the common market, particularly to Germany, with the annual value at \$59 million in 1961 compared with \$3 million in 1957. Potentially more serious are the levies to be fixed next year on imports of wheat, flour and feed grains; not only do a substantial proportion of these important American export commodities go to Europe but they are also sold there for dollars while elsewhere sales are mainly for local currencies or under barter agreements.



Nothing underlines more sharply the changing relationship between the United States and Europe than that it was Mr Freeman who appealed against upsetting traditional patterns of trade and M. Pisani of France who objected to Europe being blamed for the world's agricultural troubles. Mr Freeman sees a remedy for some of these in international commodity agreements. Meanwhile, however, while he complains about variable levies and uncertain quota arrangements, he is ready to accept an ordinary duty, provided it is moderate and fixed, and to ask Congress for reciprocal relaxations in American restrictions on agricultural imports.

What Next in Mississippi?

IN Oxford, Mississippi, Mr Meredith, the Negro who was admitted in September to the all-white university, is still attending classes under the watchful eyes of federal marshals and 500 federal troops. There are a few welcome signs that Mississippians are neither as uncivilised nor as spineless as they appeared at first. The university, which invited fresh troubles by dealing too leniently with students involved in the September rioting, summoned up the courage to expel four who were found to have weapons in their rooms. Some of the staff, strengthened by the knowledge that the university is almost certain to lose its academic credentials if any of them are discharged, have been patrolling the grounds to nip any violence in the bud and have spoken out courageously.



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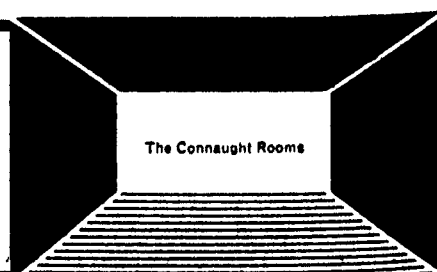
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AP. 64

A handful of white students actually had supper with Mr Meredith, though when they went back to their rooms they found them wrecked by hooligans. But it seems all too likely that Mr Meredith will need a guard as long as he stays at the university; given the strain of his daily life this may not be very long.

So far Governor Barnett has refused to order state officials to take the responsibility for maintaining order. This is the main reason why the Department of Justice feels that the Governor has not wholly purged the civil contempt of court of which he was held guilty weeks ago, even though he has abandoned overt defiance. Obviously the federal authorities cannot contemplate with equanimity the prospect of having to provide a guard at every university and school in Mississippi which is forced to admit Negroes. Last week the federal court of appeals in New Orleans, which has postponed the question of whether the Governor is to be punished for civil contempt, took a new tack. It asked the Department of Justice to bring charges of criminal contempt against Mr Barnett and the Lieutenant Governor. Such criminal charges are brought when it is a question of punishment for defying a court's orders; an action for civil contempt aims at inducing compliance.

To convict on a charge of criminal contempt guilt must be proved beyond a shadow of doubt; the defendant enjoys every procedural safeguard. Such a trial provides an opportunity, however, for the Administration to put all the evidence on record including, perhaps, proof that the Governor, by withdrawing state troops from the university, bears some responsibility for the blood shed in September. Last week a state grand jury decided that the chief federal marshal was to blame—a conclusion which makes it a matter of some importance whether Governor Barnett is tried, as he may demand to be, by jury in Mississippi. The chief marshal, Mr McShane, who was acting in his federal capacity, is certain to be tried in a federal court where the charges are likely to be dismissed without even reaching a jury.

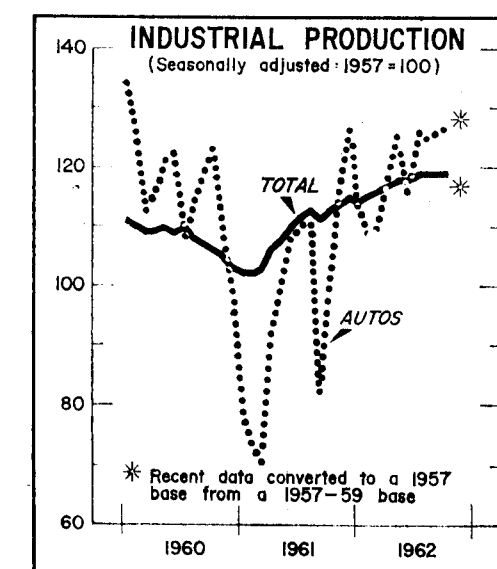
Top Gear for Autos

As the Governor-elect of Michigan, Mr George Romney, leaves the American Motors Corporation to apply his enormous energy and imagination to bringing more jobs and financial order to his state, the company which he pulled out of the red continues to prosper. Providing Mr Romney with a farewell pat on the back, the directors of American Motors announced last week that the firm had recorded sharply increased earnings in the year which ended in September, a bounty to be directly shared by all concerned. Shareholders are to receive an extra dividend and the corporation's 27,000 production workers will enjoy the first fruits of the pace-setting profit-sharing plan negotiated with the United Automobile Workers in August, 1961. (White collar employees also have a similar scheme.)

Under the profit-sharing plan—one of the few in a major American manufacturing company and unique in the motor industry—production workers will receive \$9.8 million this year. One-third of the total will go into purchases of shares for the accounts of employees, an average of 7.3 shares, worth about \$129, a worker. The remaining two-thirds will be used to cover increased "fringe" benefits for employees and to set up reserves for future outlays on such benefits. From the management's point of view this is money well spent. Officials of the company credit the incentives for cutting costs which are implicit in the plan with savings which should exceed \$6 million a year—the result of improved productivity and the workers' willingness to forgo certain minor benefits which they used to receive.

American Motors prefers to term its profit-sharing plan "progress sharing." And, indeed, this is an apt euphemism for the entire motor industry at present. After a somewhat sluggish

summer, the autumn upturn in automobile sales, sparked by the introduction of the 1963 models, has shown unexpected strength. Sales in October reached a phenomenal all-time high of 728,000 units and early reports indicate that they remain buoyant this month—although the Thanksgiving holiday and a strike at one of the General Motors Corporation's plants preclude a repetition of last month's performance. Jubilant officials of the Chrysler Corporation are predicting that total sales of all makes of cars in 1962 will top seven million for the first time since 1955. This forecast is made more plausible by the unusually large increase since July in consumers' plans for purchasing new cars, reported



in the latest quarterly survey of buying intentions on behalf of the Federal Reserve Board.

Almost all motor firms are sharing in the upturn. And it is an especially lucrative one, for the trend of recent years away from the larger, more lavishly equipped models towards the economical compacts seems to have been reversed this year. The Chrysler

Corporation's success in capturing a larger share of the market during recent weeks owes a great deal to the appeal of its restyled, larger, 1963 Plymouths and Dodges. The only company still in deep water is the Studebaker Corporation, which announced production cutbacks and layoffs last week. In contrast, General Motors, American Motors, Chrysler and the Ford Company all raised their output schedules. For the fourth quarter as a whole automobile production may well exceed two million units—a record matched only three times in the past—and impart a further upward push to other key sectors of America's stalled economy, particularly to the steel industry.

Television's Hiss Case

WHILE the President was fending off, good-humouredly but firmly, the complaints of the press that its freedom had been infringed during the Cuban crisis, a parallel storm was raging over television's right to be free of censorship by private sponsors. It blew up when the American Broadcasting Company, in presenting a commentary called "The Political Obituary of Richard Nixon," allotted two of the thirty minutes to Mr Alger Hiss, the official of the State Department whom Mr Nixon helped to send to prison as a perjurer—and who in turn helped to launch Mr Nixon on his political career. This sensational nugget had been advertised widely in advance and four local television stations refused to carry the programme; during the broadcast angry telegrams flooded in, many of them from ex-servicemen's organisations; afterwards two advertisers attempted—without success—to cancel their contracts with the network for sponsored programmes.

Luckily the vice president of ABC in charge of news is Mr James Hagerty, who used to be President Eisenhower's press secretary; he is a man who can hardly be accused of sympathy either with communism or with Mr Hiss. Whether or not it was in good taste to give Mr Hiss a chance to kick his old enemy when he was

down, Mr Hagerty was right to denounce any interference with editorial control over the news and over comments on it. He has received strong support within the industry and even from President Kennedy.

Mr Nixon may feel "*Et Tu, Brute*"; television has long been the Vice President's chosen political weapon. But he has maintained a dignified reserve. He learned his lesson early this month; his bitter outburst against the bias of the press on the morning of his defeat for the Governorship in California discomfited his friends, delighted his enemies and made it seem likely that he would not be asked to break his promise not to stand for public office again. During his campaign in California Mr Nixon looked to the screen to redress the balance against him. He sought eagerly for a face-to-face meeting on television with Governor Brown whom he felt, quite rightly, would not be the formidable adversary Mr Kennedy proved to be in 1960. Mr Nixon also conducted seven "telethons"—one of them lasted five hours—at which he answered questions telephoned in by viewers. But this very dependence on television may have been a sign of weakness. Since 1960 many candidates have sought to debate with their opponents on television but, by and large, it is the under-dogs and the unknown who have been the most enthusiastic. Safely established figures were likely to reply as did Senator Dirksen who, when asked why he would not meet Mr Yates on television, said simply: "Why should I?"

No Space for the Union Shop

MOST of the firms in the western aerospace industry, which supplies the government with much of its space equipment and many of its missiles, surrendered in September to the Administration's insistence that a strike would be an intolerable blow to the country. After the President warned the companies that they would be to blame for any stoppage, they agreed to permit their workers to vote on whether they wanted a union shop, the real bone of contention. Under this arrangement all workers who are hired must join the union within thirty days to keep their jobs. Such a provision would be particularly valuable to the trade unions involved because of the rapid turn-over of labour at the plants; they have to keep on recruiting hard just to stay in the same place. The Boeing Company, which manufactures the Minuteman missile, where a strike has been put off until January, has also agreed to a vote on the union shop, although this is not to be binding.

But the Lockheed Aircraft Corporation, the largest of all and the maker of the Polaris Missile, has remained adamant and on Sunday the International Association of Machinists, which has twice postponed strike deadlines, voted to walk out next Tuesday. Negotiations are being resumed this week and the Department of Defence has renewed the pressure on the firm by hinting that if the strike takes place it may look for alternative suppliers for missiles. A stoppage at Lockheed might face the President with the problem of whether to invoke the emergency provisions of the Taft-Hartley Act (which might only postpone a strike for eighty days), to try to seize the company, as the machinists have suggested, or to devise yet some other means of keeping the men at work. Lockheed insists that it is only anti-compulsion, not anti-union, but its real fear seems to be that a vote on the union shop might set a precedent for settling all labour matters by a vote of the workers.

Lockheed's obstinacy is all the more surprising in view of the fact that at three other firms the two-thirds vote for the union shop which was required under the recommendations of the President's special board did not materialise, though a majority favoured it in each case. Even though the firms are in southern California—a stronghold of the open shop—the IAM and the United Automobile Workers, the other trade union involved, were shocked by the

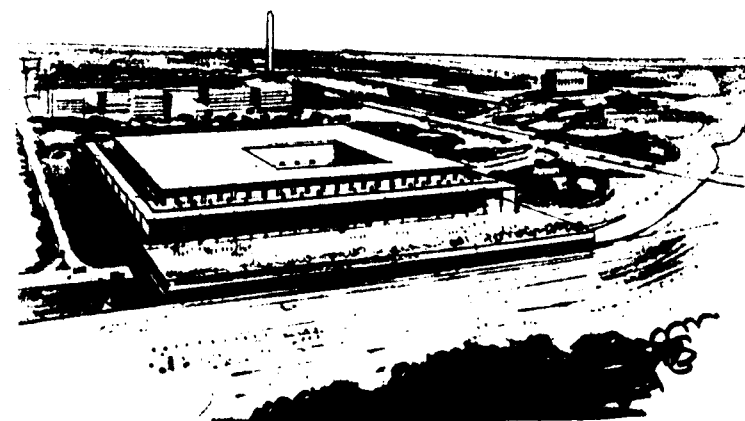
outcome. At one company about 85 per cent of the workers belonged to a union; at the two others more than half were union members. It is understandable that once non-union workers had received their guarantee of increased wages they might balk at having to pay \$60 or more a year in union dues, but some trade unionists either voted against the union shop or abstained. No doubt the unions were over-confident; in the past votes on the union shop have been so overwhelmingly in favour of it that Congress eliminated the general requirement for such a vote. The high turn-over at these particular plants and the fact that more and more of the workers are technicians and salaried employees militated against the unions; so did the uncertainty of jobs in an industry which is dependent on government contracts.

Capital Culture

NEXT week is National Cultural Centre Week in the United States, to raise interest in and money for the seventy or so such centres, on varying scales of size and complexity but all containing a theatre of some sort, which are now being built or planned throughout the country. The most ambitious are New York's Lincoln Centre, which opened its first concert hall two months ago, Los Angeles's Music Centre for the Performing Arts, with its largest unit, the Memorial Pavilion seating 3,254 people, now being built, and the National Cultural Centre in Washington, DC, which is the immediate reason for next week's special concentration of attention. This will culminate on Thursday night with a two-hour Pageant of the Arts, featuring among many other stars Mr Pablo Casals, Mr Benny Goodman, Mr Robert Frost and Mr Van Cliburn, to be transmitted all across the country by closed-circuit television to \$100-a-plate dinners—there are 5,500 seats at this price in Washington's own Armoury—and other less costly gatherings. The proceeds will be shared between some individual local cultural enterprise and the National Cultural Centre which is intended to serve the whole country.

The affair will start the drive, led by Mrs Kennedy and Mrs Eisenhower, to raise the \$30 million now needed for this undertaking which began in 1958 as a \$75 million project. Congress presented most of the land but, in the American tradition of keeping the arts free from government control, is not providing any money. Even in its more economical form the centre will have a theatre, an opera house and a concert hall, all under one roof which can itself be used for band performances and other large gatherings. The building is designed by Mr Edward Stone, surrounded by trees and gardens, on the edge of the Potomac River, with car parks underneath.

Those, including President Kennedy, who feared that the Lincoln Memorial nearby might be dwarfed, have been reassured but there are still critics who contend that such a centre should be in the commercial heart of the city, where it could be reached on foot and by public transport, with offices and restaurants in the neigh-



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bourhood, bringing new life to a decaying core instead of rising in beautiful isolation surrounded by super-highways. However that may be, when the centre is finished, during 1965, it is hoped, it will provide the large theatre and concert hall, adequate for first-class performances, which Washington has lacked and will put on a firm basis the long overdue development of the performing arts in the national capital.

Senatorial Discourtesy

THOUGH the Administration has chosen seven federal judges whom the American Bar Association's committee on the federal judiciary considers to be unqualified, the Department of Justice is thought to have done a good job, by and large, in finding deserving Democrats for these sought-after political plums. Some of its choices have been outstanding. This is as well since President Kennedy, because of the creation of seventy-three new seats on the federal bench, has been able to appoint over half as many judges in two years as his Republican predecessor appointed in eight. Once chosen, nominees have to be confirmed by the Senate, which is not always a routine matter. In this past session the Southerners ensconced on the Judiciary Committee procrastinated for nine months before they grudgingly gave the green light to the appointment of Mr Thurgood Marshall, a Negro who made a great reputation by winning civil rights cases for the National Association for the Advancement of Coloured People. Mr Marshall had been sitting on the Court of Appeals for the Second Circuit, which includes New York, under a recess appointment but had Congress adjourned without confirming him he would have had to give up.

Mr Lindsay Almond, the former Governor of Virginia, whom Congress left high and dry, has also been given a recess appointment in the hope that next year the Senate will confirm him as a judge on the usually non-controversial Court of Customs and Patent Appeals. Mr Almond's main trouble is that as Governor of Virginia he faced the realities of racial integration and kept the schools open. Thus he won the enmity of Senator Byrd, Virginia's political boss. In practice a candidate for a judgeship must have the support of Senators from his own state; it would be "discourteous" for the Senate to override their objections. Mr Almond's other trouble is that as a moderate, who still prefers racial segregation, he lacks the political support which can be mobilised for a Negro judge. President Kennedy has also selected the first woman Negro judge to be given a presidential nomination; she is now sitting on the Juvenile Court of Washington, DC, a city which is more than half Negro. For years Congress, fearing the appointment of a Negro, refused to authorise the two additional judges sought for the swamped Juvenile Court.

Though the Senate passed Mr Almond by, it accepted, in the end without a dissenting vote, Mr Kennedy's most controversial appointment: that of Judge Irving Ben Cooper, whom the ABA and other lawyers' associations had found unqualified, both by reason of temperament and lack of experience, to sit on the federal bench.

Loaves and Fishes

NEW YORK

WHETHER a substance with the unpalatable name of "fish flour" is fit for Americans to eat is a battle which has assumed all the trappings of a holy war. Passionate advocates, who have gulped handfuls of the odourless, tasteless flour in front of congressional committees, say that it is the cheap food additive needed to cure the vast protein deficiencies of much of the world's population; it would also cure the economic depression of fishing ports in New England and northern California. The virtues of fish flour are its protein content of 80 per cent and its low retail price

of 15 cents a pound. Its drawback is its origin, the whole fish—eyes, tail, fins, bones and stomach contents. To the federal Food and Drug Administration, this constitutes filth and, as such, is ruled out for American consumption.

Since Americans can scarcely ship abroad a food which they themselves are not allowed to eat, the FDA ruling has raised a storm of protest from potential manufacturers, Congressmen from sea-faring states and the Department of the Interior, which would like to see the usable catch of the American fishing fleet raised from 5.2 billion pounds to 12 billion pounds a year (more than half of every catch consists of "trash fish," such as skate, pike and dogfish, which must now be thrown away). These critics protest that Americans happily consume clams, oysters, whole sardines, rattlesnake meat and even chocolate-covered ants and fried grasshoppers. Yet the FDA is adamant; it believes that fish flour threatens every canon by which the pure Food, Drug and Cosmetic Act of 1906 has protected American food from dirt and excrement. With the variety of substances—all of them hygienic and nutritious—which could now be produced from hooves, tails and feathers by new processes, the FDA feels that more than ever it must uphold its standards though these are more aesthetic than scientific.

Emotional hearings were held last August on four Bills to amend the pure food laws, but no action was taken—presumably because it was thought sensible to await the special report on fish flour which the National Academy of Sciences has undertaken to make. Feelings are still running high. The powerful midwestern wheat lobby, sensing a rival, calls the campaign on behalf of fish flour "an effort to legalise sanitised filth." The VioBin Corporation of Illinois, the only manufacturer of fish flour in the United States, says that for millions of people the product will replace the misery of chronic hunger with hope for a new life. The Food and Agriculture Organisation of the United Nations strongly favours fish flour, which is now being manufactured at a rate of 100 tons a year in Sweden, 300 tons a year in Thailand and at least 500 tons a year in Morocco. Ironically, the FAO finds one of the chief attractions of fish flour to be its acceptability to a wide variety of cultures—except, apparently, that of the United States.

Sunset for Billie Sol

TWO weeks ago in Tyler, Texas, the non-existent fertiliser tanks out of which Mr Billie Sol Estes made some \$26 million brought him an eight-year prison sentence. Last week the financial wizard who was once thought to be worth \$150 million and who had influential friends in both political parties had to file a pauper's oath to obtain legal aid. His known assets were sold in September for \$7 million but most of his creditors will get only 15 cents on the dollar; the lion's share goes to the Commercial Solvents Corporation which provided fertiliser for tanks which did exist.

In addition to his conviction on charges of swindling brought by the state Mr Estes has been indicted on a number of counts by a federal grand jury and, with Commercial Solvents, is to stand trial in another state court on charges that they conspired to monopolise the fertiliser market in West Texas. So far he has not appeared before either of the congressional committees investigating the friendly relations with officials of two Administrations which, it is alleged, enabled him to become a power in the storage of government grain and the illegal owner of cotton allotments. His appearance was postponed to enable him to have a fair trial. The Senate's investigating subcommittee still means to hear him, but with his conviction and the realisation, even before election day, that neither political party was likely to make political hay out of the case, Washington's interest in it has evaporated. However, the Department of Agriculture is reorganising its procedures as a result of the unflattering light cast on them by the scandal.



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THE WORLD OVERSEAS

The UN's Thanksgiving

FROM OUR SPECIAL CORRESPONDENT

THANKSGIVING DAY being merely a local affair, it is usually observed only halfheartedly by the United Nations. If the world organisation celebrated all the holidays of all its 110 members it would enjoy a year-round repose. On Thursday a quota of work was therefore on the programme of both the assembly and the secretariat. The concept of thanksgiving nevertheless unquestionably pervaded the air as 110 flags came down at dusk on Wednesday, the floodlights came on, and the tailfins of the huge black car whisking the expressionless Mr Zorin out of the United Nations gate nearly cut your correspondent's short visit even shorter.

The gloves that had been so lately and so alarmingly off certainly seemed to most Thanksgiving Day observers at the United Nations back on again with mink-lined softness. Admittedly it was not clear whether a true handshake could be achieved while wearing such urbane mitts. But it was nice to hear the Russians making appreciative noises about the discreet phrasing and firmly unboastful character of President Kennedy's statements on Tuesday, and westerners lauding Mr Mikoyan's skill in twisting Dr Castro's arm without generating such heat as to singe his beard.

The giving of thanks about the Chinese announcement of a Himalayan cease fire was deferred by virtually all here until more might be seen both of Peking's actions and of Delhi's reactions. But the Cuban gift horse was not to be looked too closely in the mouth. As in the case of the earlier removal of intermediate rockets, it was understood that American warships would sidle up to Soviet ships carrying home the Ilyushin bombers which Dr Castro had so suddenly found to be "antiquated," and merely take polite peeps at the cargo. The word was that they would somehow arrange with the Russians to be in the right neighbourhood—a phrase evocative of your friendly neighbourhood fleet.

Did all this have anything to do with the United Nations? If one looks only at the formal proceedings (which is of course all one is supposed to look at) the answer is that it did not. The Security Council was quick to get under the bed during the Cuba crisis week, and unlike everybody else it has not come out again yet. Somebody mildly remarked today that perhaps the council might in due time at least meet to hold a requiem mass for the departed crisis. For the rest, the regular assembly proceedings ground steadily on through bad times and this week's better days alike without visible connection with Cuban downs and ups. The assembly's plenary debates are at present a spiritual safari through the vast perspectives opened up by last month's 500-page report on a few out of the vestigial British Empire's still richly filled treasure house of dependent territories. On Wednesday, as a divertissement, the assembly broke off to devote the afternoon to confirming a resolution already acclaimed in committee of the whole, by 97 votes to nil, urging the disarmament talkers to return to Geneva and to talk on.

Meanwhile the first political committee was wrangling whether to debate outer space or Korea first, although the sole value of a debate on either would seem to be as a time-filler while it is decided whether and when to turn to the more fruitful topic of

nuclear-free zones, one of the items freshly revived by the Cuba clash. The other political committee was in the sands of Oman; the only oasis relieving its verbal expanse was the Cuban delegate's indignation when the inimitable Mr Shukairy of Saudi Arabia equated the British bases in Oman with somebody else's bases in Cuba. The British representative, though doubtless just as convinced that a distinction between the two was crucial, passed up the opportunity of demonstrating solidarity with Cuba on this point. The economic committee, which was trying to debate five separate items in parallel, at times seemed as if it would have found map-reading easier in the deserts of Oman.

Most delegates in fact seemed very ready to leave the United Nations role in the Cuban affair in other hands; the hands of the quiet little Burmese who sits up aloft on the top floor of the secretariat tower and who was host at lunch on Tuesday to Messrs McCloy, Stevenson, Kuznetsov and Zorin. U Thant has been the United Nations' only visible link with the Cuban question since the Security Council faded away like a Cheshire cat, not even leaving him a resolution to work under. Although it is not easy to define exactly what effect his activity has yet had, hardened professionals here swear that his performance has been as effective and his timing—a crucial element—as precise as Mr Hammar-skjöld's ever were; some would say, still better.

The mere existence of the United Nations building here in New York has facilitated contact on an equal, and also on an amiably social, basis between American and Soviet highrangers. Moreover, while they have now got well embarked on these direct dialogues, the atmosphere between Havana and Washington is not yet attuned to anything of the kind. Dr Castro's well advised technique of addressing himself to U Thant is thus a decidedly practical literary form. On Monday night it enabled him to maintain his dignity by referring to American policy in vigorous terms without compelling Mr Kennedy to retort at his Tuesday press conference. Likewise Dr Castro's consent to the removal of the bombers was thus made public in diplomatic language without his having to address himself to either of the great powers in a manner that could have seemed unacceptably humiliating.

But the assumptions that the United Nations would naturally prove a source of some reassuring presence in Cuba have been premature. Even the modest idea of a presence comprising the non-aligned diplomats in Havana was never a starter. By a now set tradition, a United Nations presence can be inserted in a vacuum area with a view to checking the inrush of powers; or sent to reassure a little state that fears bigger neighbours. It cannot be installed in circumstances suggesting that a big chap has foisted it on a little fellow. What does seem still conceivable is some device for reassurance and reciprocal inhibition on a multilateral—one hears it termed a Caribbean—basis. (Both Dr Castro's letters to U Thant this week stressed his total rejection of anything "unilateral.") And that brings one round perhaps to the broader question of zones free of nuclear arms, or at least subject to some limitations on arms. Back in fact to the United Nations again, and quite probably to some revamped version of the Brazilian nuclear-free zone project, now on a handy shelf. At the moment

Mr Rapacki has, perhaps tactfully, absented himself, but the Swedes, fondling dog-eared copies of last year's Uden plan, are just as tactfully present.

Underlying all the talk of a possible use of the United Nations mechanisms in active form there remains, however, the again emerging doubt about the future of its executive. Not surprisingly, U Thant is still playing hard to keep. Maybe it would not even satisfy him if the Russians ceremonially burnt their sacred troika before his eyes and walked barefoot over the hot ashes. He is expected to hold out not only for a completely free hand but also for a back free of the weary load of the Congo. Thus it is not wholly irrelevant to the chances of moving from the Cuba issue to wider arrangements in the arms and disarmament field that a strong American Congo team from the State Department was today up on the top floor of the secretariat tower, talking some kind of Congo turkey on Thanksgiving eve.

Delhi Fore and Aft

FROM OUR CORRESPONDENT IN INDIA

THE Chinese "peace plan" fell like a bomb on an Indian public reeling from weeks of earlier disasters. Psychologically the offer was brilliantly timed—but still not good enough. The first reaction here was deep suspicion. Shorn of its details, the offer of a ceasefire from midnight on Wednesday, and of a withdrawal starting on December 1st to positions twenty kilometres north of the McMahon line, in effect repeated proposals already rejected by New Delhi, though at a time when the Indian position was far better than it is today. It was feared that if not pure psychological warfare, the offer might be a military ruse to gain time for the extended Chinese advance columns to consolidate—though the shattered Indian defences must have stood to benefit even more. New Delhi stalled for a day, saying that it would give the proposal full consideration when it had officially received it. But Mr Nehru firmly reiterated the Indian position that there could be no negotiations until the *status quo* before September 8th was restored. At the time of writing on Thursday the government was waiting to see what the Chinese did next before making up its mind.

The week had brought Indians the worst news since the Chinese invasion began. The fall of the Se La pass last Sunday, November 18th, and of Bomdi La on Monday opened the gateway to the Assam plains. Se La ridge, some 14,000 feet high, was the last major mountain barrier between the Chinese and the Brahmaputra. The Indians had determined to hold the invaders at the pass. This they did, only to find themselves outflanked by a heavy Chinese column which came unobserved through another pass and cut the road behind them near Bomdi La, thirty miles south-east. Within twenty-four hours the Bomdi La headquarters of the Kameng division of the North-East Frontier Agency (NEFA) had fallen. By Tuesday a large Indian force, isolated and unsupplied, was trying to fight its way back from Se La while a single range of hills stood between the Chinese and Tezpur on the Brahmaputra just forty crow-flying miles away. It was the same story in the eastern tip of NEFA, where the capture of Walong in the Lohit river valley and the subsequent rapid advance down the valley threatened to bring the Chinese to the upper end of the Assam plain, threatening for a start the Digboi oilfield. By Wednesday night the Chinese army overlooked the plains of Assam.

The Chinese blows once again smashed Indian illusions that the situation was either militarily or politically stable. The lull after the first major attack had persuaded some here both that the invaders were being held and that their objectives were limited to taking a little of the NEFA to offer as a bargaining counter for Ladakh. The massive and well prepared attack (the Chinese

reportedly built in three weeks a road from the McMahon line to Tawang which the Indians had not built in as many years) suggested that they were quite prepared to occupy their entire claims in the north-east—virtually the whole of NEFA—or more. By the time of the ceasefire deadline the advance troops were already at the limit of the Chinese claim above Tezpur and in the Lohit valley. Until the real intention of the ceasefire offer is known, the long-term aims of the Chinese are best left to the highly-paid Pekingologists whose absurdities to date include suggestions that the real object of the Chinese was the removal of the pro-Russian Mr Krishna Menon or the replacement of their dependence on Russian oil by oil from Digboi, presumably piped over the 15,000 foot mountain range.

In New Delhi the cobwebs were at last blowing away. The prime minister spoke repeatedly of "war," and he stated on Monday that India was trying to get "all possible help" from friendly countries with "no limitation of any kind." His personal letter to President Kennedy requesting urgent and massive arms aid bore a very different tone from the delicate concern for non-alignment evident in the first requests when the crisis broke. The possibility that aid might yet include foreign troops was by no means as remote as it had been a week before.

The government still seems more sure, however, of what it would like to do than of how to do it. There is no sense of vigorous central direction. The measures so far taken to mobilise the economy seem weak, though the new broom of Mr T. T. Krishnamachari, armed with wide powers to co-ordinate production in all sectors, may soon start sweeping in earnest. In other fields action sometimes seems more panicky than strong. The unofficial censorship already operating cuts out information which might indeed help the enemy if it had not already been freely published in western papers. The government proposes to supplement it by the revival of the British-invented system of demanding a heavy "security deposit" from papers that break the unformulated rules, the deposit being forfeited at the second offence—an admirable way of suppressing a basically hostile press but an absurd one for regulating papers that are not less patriotic, though they may be less all-wise, than the government. The right-wing papers had already been warned to lay off political attacks on Menonism. Official war news has been doled out 24 hours late and, till the latest stark reverses, consisted largely of obvious whistling to keep Indian spirits up.

Politically, Mr Nehru's fatal vacillation over Mr Krishna Menon is having dangerous results. Though the streets and papers are full of exhortations to rally round Jawaharlal, the comparison with Neville Chamberlain can be heard uncomfortably often, not least among influential members of Congress. Whatever justice that comparison may have, there is no conceivable Churchill waiting in the wings, and although Mr Nehru's personal power and prestige among his colleagues have fallen, most of them know this. More



On the Se La pass

Indians than is healthy are beginning to think of Mr Nehru as no more than, shall we say, the best prime minister they have got. But even now, such is the state of Indian feeling, a firm rejection of the ceasefire could transform Mr Nehru's image overnight.

Ultimatum for the Chancellor

FROM OUR BONN CORRESPONDENT

WITH general assent, Dr Adenauer has been given some fourteen days in which to repair his own and his government's damaged authority. The ultimatum has come from all sides but the Bavarian Right. Last Sunday, November 18th, the managing chairman of the Christian Democratic Union, Herr Dufhues, painfully surprised his chief (and co-chairman) by publicly declaring that the party, "along with the entire population," expected the Chancellor "to act and govern."

The government, Herr Dufhues stipulated, must be so reorganised as to restore public confidence in its ability to lead. Herr Krone, one of the party's four deputy chairmen and the closest to Dr Adenauer of his ministers, uttered a loud amen. On Monday the five Free Democrats in Dr Adenauer's coalition cabinet resigned. On Tuesday the Christian Democrat and Christian Socialist ministers followed suit by formally placing their portfolios at the Chancellor's disposal. They did so, it was officially explained, at the prompting of Herr Strauss, the compromised defence minister, and Herr Dufhues, the party's chosen spur and conscience since the Dortmund conference in June. But neither Herr Schröder, the foreign minister, who was in Bangkok, nor Herr Lemmer, the minister for all-German questions, who was in Berlin, had been consulted. Herr Erhard, the economics minister, who was in Strasbourg, had agreed by telephone.

Having effected their five ministers' demonstrative gesture, the Free Democrats' executive committee and parliamentary party then assembled for electioneering purposes in Nuremberg; they declared that "the exigencies of the world situation, and the situation of our divided fatherland and its divided capital city," called for a government "which, free from personal embarrassments, serves only the weal of the nation. A reorganisation of the federal government is therefore necessary." Naturally the Social Democrats at once reinforced the demand for change. But they, uninhibited—as are the Christian Democrats and the Free Democrats—by the allegiances of the elections on Sunday (November 25th) for a new Bavarian state parliament, have made no bones about calling expressly for the dismissal of the cabinet's arch-Bavarian, Herr Franz-Josef Strauss, whose private war with the news magazine *Der Spiegel*, the motives of it and the methods employed, have precipitated a million doubts concerning the health and manners of the state. Nor have they hesitated to protest that the Free Democrats have up to now shied away from voicing their own and the majority of the public's deepened conviction that a change at the top of Dr Adenauer's government is painfully overdue. Dr Adenauer seems to be ready to sacrifice his defence minister, but determined to stick it out himself for another year.

The champions of cabinet renewal now seem reconciled to waiting for satisfaction until after December 5th, when President Lübke returns from his trip to Pakistan, Siam and India. Presidential approval is required for ministerial changes. In the meantime the five Free Democrat ministers—finance, justice, refugees, overseas aid and federal property—are continuing to carry out routine duties but are not attending cabinet meetings.

And in the meantime the Bavarians will be choosing a new *Land* parliament, expressing by ballot their feelings about Herr Strauss, Dr Adenauer and kindred issues. Herr Strauss is the chairman of the Christian Social Union (the Bavarian counterpart of the Christian Democratic Union), which won 45.6 per cent of

the votes cast in the last *Landtag* election in 1958, and which has since ruled Bavaria with Free Democrat help. The Social Democrats, who emerged as the strongest party in Bavaria after the *Landtag* election of 1950, and are still the ruling party in such important Bavarian municipalities as Munich, Nuremberg and Regensburg, are hoping to improve their fortunes handsomely on Sunday. Their success—largely a consequence of the *Spiegel* affair—in the elections to the *Landtag* of Hesse on November 2nd, when they won an absolute majority for the first time, has greatly fortified their hopes. The Free Democrats, apparently, are reckoning that through having staged a show of resistance to Dr Adenauer without specifically demanding either his head or Herr Strauss's, they have been wooing the Bavarians with as much dash as the party's limited prospects allow. When the result of tomorrow's polling in Bavaria is known, the Chancellor will be able to plan his next moves. Since the Christian Democratic Union itself, strictly so called, holds only 192 of the 499 seats in the Bundestag, Dr Adenauer depends for his majority on the affiliated Bavarian Christian Socialists, with 50 seats, and the Free Democrats with 67. Tomorrow's vote should help him to judge how warranted the Social Democrats are in demanding the all-party government which neither the Christian Democrats nor the Free Democrats want.

France's Great Divide

FROM OUR PARIS CORRESPONDENT

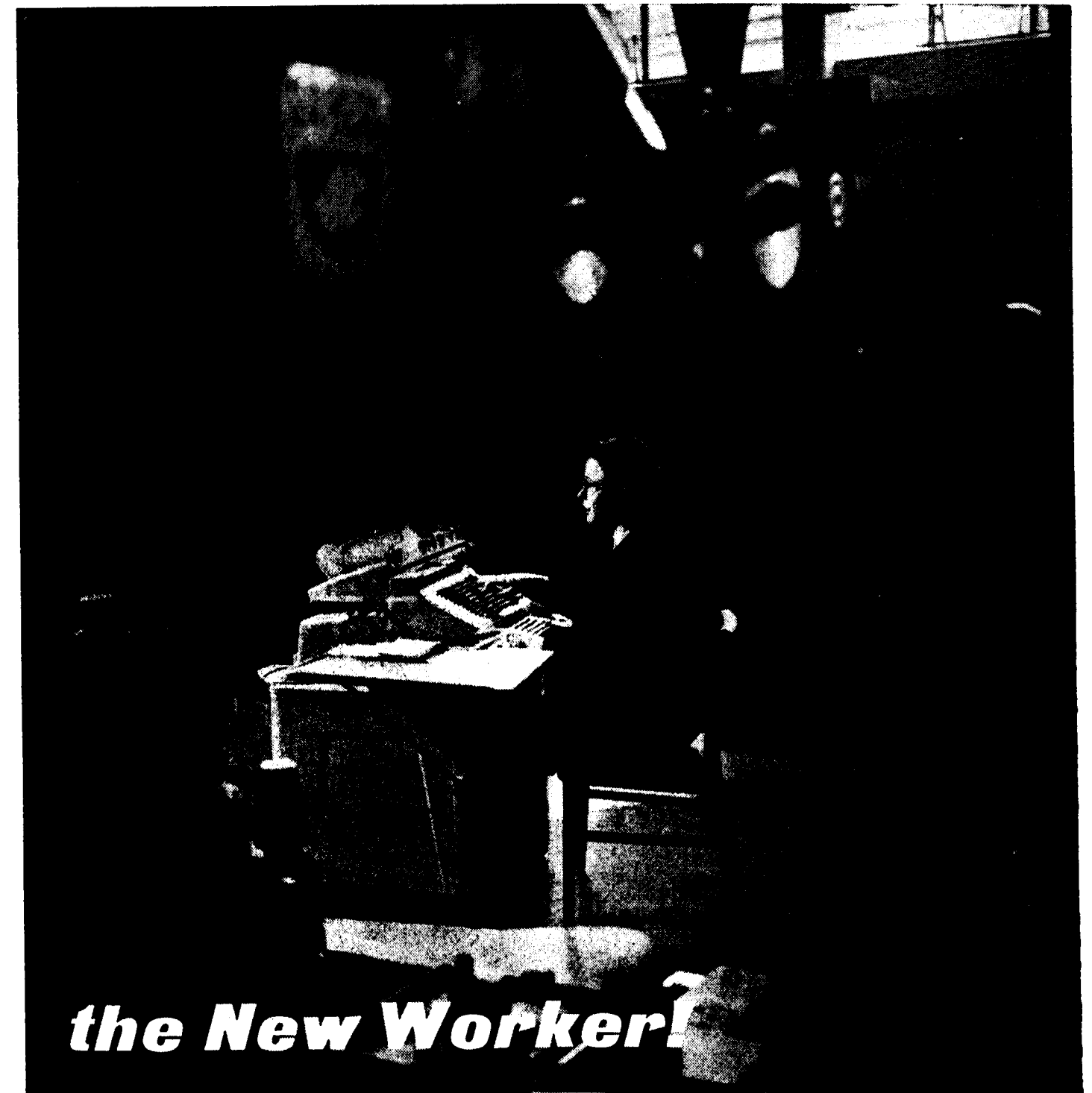
"Tomorrow in France there will be the Communists, ourselves and nothing"—M. André Malraux, Oct. 1947

LAST Sunday's first round in the parliamentary elections saw the French voters sacrifice the third (that is, the traditional Republican) force on the altar of Gaullism. General de Gaulle is now quite likely to get the obedient parliament of his choice. His strategy, based on the impact a referendum would have on the ensuing elections, has proved successful, after all, despite his only mediocre success in last month's referendum. True, if the voting in the referendum is compared with the voting in the elections, the traditional parties recovered a great many votes; but not as many as they, and everybody, expected. The proper comparison is with the parliamentary elections of 1958; and on that basis they lost two million votes to the neo-Gaullist UNR. About as many Frenchmen simply dodged the contradiction between their assent to General de Gaulle and their party allegiance by staying at home (thus bringing the total of abstentions to more than 31 per cent, the highest since 1881). It is equally true that only half of those who had voted for the general were logical enough to vote for the general's party. Yet, with close to six million votes, the UNR finds itself in a commanding position on the eve of the second ballot. Should the trend be reaffirmed tomorrow, the UNR—together with those Conservatives who accepted from M. Malraux the label of good Gaullist behaviour—may muster an absolute majority in the new Assembly. The general has taken his revenge on the third force, which had kept him at Colombey for over a decade and was now attempting revival as the *cartel des non*.

VOTES IN FRENCH ELECTION

Parties	Votes, 1962	Per cent	Votes, 1958	Per cent
Communist party	3,992,431	21.78	3,870,184	18.9
PSU, etc.	449,743	2.45	356,081	1.8
Socialist party (SFIO)	2,319,662	12.65	3,176,557	15.5
Radicals and Centre Left	1,384,998	7.56	1,710,710	8.3
UNR	5,847,403	31.90	3,589,362	17.5
MRP	1,635,452	8.92	2,408,370	11.7
Conservatives (Independents)	2,458,988	13.42	4,112,191	20.1
Extreme Right	241,309	1.32	1,268,922	6.2

Last Sunday did not see a swing to the Right. That had taken place in 1958; on this occasion, the switch of votes has occurred, essentially, within the Conservative half. The Bonapartist Right, as M. Mitterrand put it, has swallowed the Republican Right. The



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referendum results made it plain that the Conservative leaders could not carry their troops along against the general. They paid the penalty in the election. Offered the choice between the stamped Gaullist commodity and an ambiguous package that had had a Gaullist wrapper in 1958 but had now been hastily given a Republican cover, many Frenchmen showed no hesitation.

Right-wing extremists like M. Lepen and M. Lacoste-Lareymondie were deserted by the bulk of their supporters. But so were such liberal Conservatives as M. Paul Reynaud. Any Gaullist could do the trick. M. le Tac, completely unknown in Marseilles, managed—without any campaign, simply on the basis of his Gaullist credentials—to outstrip M. Fraissinet, the local right-wing star. The strongholds of the MRP in the traditional conservative areas of eastern and western France have been shaken. The Independents may well lose all their twelve seats in Paris, leaving the city entirely to the UNR (but not its suburbs, where the Communist party is showing gains).

Politicians who climbed on the Gaullist band-wagon in 1958—indeed, who helped to set it moving—and thought that they would be able to jump off unscathed, have been proved wrong. Even the Socialists are licking their wounds. In fact, the only party to weather last Sunday's Gaullist storm was the Communist. With 22 per cent of the total vote, it has actually emerged reinforced. Taking into account the fact that single member constituencies are less favourable to the Communists than proportional representation, the Communist electoral strength is now probably as great as in the last days of the Fourth Republic. In the course of this week it has been busy making use of this strength to overcome its notorious weakness, which is its isolation, offering its, in fact, sorely needed services to help the others resist the Gaullist wave.

In this respect the biggest Communist success has been to reach an agreement with the Socialists in their strongholds of the Nord and Pas-de-Calais, on the basis that each party withdraws its candidate where the other is in a better position to defeat the UNR. These are only the two most spectacular pacts. Throughout the country Communists have been standing down—not always on the basis of reciprocity—for Socialists or Radicals. In some cases they have even stood down for candidates who had polled less votes on the first ballot but who seemed, nevertheless, to have a better chance of victory.

The polarisation that has now happened on the right of French politics and the emergence of a Gaullist party likely to gain the majority have naturally made openings for the Communists at the other end of the spectrum. Thus the general's triumph has been a tragedy for M. Mollet, his former faithful assistant. The Socialist leader, fearing a Gaullist victory, uttered the warning before the first ballot that Socialist voters might, in a few cases, have to vote for a Communist. To keep it to a few cases, he pinned his hopes on the *cartel des non*, the alliance with the Radicals, Christian Democrats (MRP) and Conservatives. But the Third Force, workable at the level of leaders and deputies, bewilders and repels the voter. M. Mollet and M. Reynaud may arrange, but the voters will not follow. The scope for left-wing deals between the two ballots has grown beyond the number originally contemplated.

Nobody will suspect M. Mollet of favouring anything like a Popular Front. Nobody will doubt him when he says that he seeks merely an electoral pact, based on the priority of dangers. But such is the logic, and the irony, of history that polarisation on the right conjures up unity of action on the left, and that M. Mollet may turn out to have been its architect. It is doubtful whether the hastily made deals will actually work tomorrow. Socialist voters, raised for fifteen years on an anti-Communist diet, are likely to prove less disciplined than the Communists in switching their votes. M. Mollet's Conservative and MRP allies may recoil into Gaullist arms before the spectre of the Popular Front.

The immediate question is whether the UNR and its coupon-bearing friends will get more than 240 seats, or the absolute majority in the new Assembly. If so, General de Gaulle will be able to rule undisturbed, with the UNR running the Assembly for him. If it falls short of that majority and needs, say, MRP support to form a government, the general may yet meet with some checks on the more contentious points of his European and Atlantic policies. That question will be answered this weekend, when the 369 remaining seats are filled. The other question, that will remain open, for a while, is whether the 1962 elections will be remembered simply as the moment of Gaullist triumph, or perhaps also as the start of a move towards unity on the French left, bringing with it the end of isolation for the French Communists.

Mr Khrushchev Reorganises

NEARLY all the eight pages of last Tuesday's *Pravda* were taken up by the speech which, on the previous day, Mr Khrushchev had read for over five hours at the opening session of the Soviet party's central committee. One would search in vain throughout the lengthy text for an explanation of the Cuban venture or of the crisis now shaking the communist world. A plenary session, attended not only by the 400 or so full and associate members of the committee, but by a host of industrial and agricultural experts as well, was scarcely the most suitable place.

In public, Mr Khrushchev spoke about economic matters. He foreshadowed a spectacular tightening of party control over the economic life of the country. But domestic economics and foreign policy are inseparable. It is the failure of Soviet foreign policy to release resources at home that has made economic reform more urgent. Economic success is what Mr Khrushchev needs to justify his criticised policy of co-existence. Drawing up a balance-sheet of the last four years, the Soviet leader as usual mixed praise with criticism. He attacked the traditional evils of red tape, inefficiency and too frequent job-changing, but claimed nevertheless that in the last four years Soviet industrial production has not only reached but exceeded the targets set in the current plan (1959-65). On closer scrutiny the progress is significantly uneven. Heavy industry exceeded its objective by six per cent, light industry by only two per cent. Because of agricultural failures, the increase in retail trade turnover, on Mr Khrushchev's own reckoning, was only one per cent higher than planned. On agriculture, too, the Soviet leader could only produce a mixed bag of news. Although this year's grain crop, at 147 million tons, has finally topped the previous record of 1958, the yield per acre is still much too low. Production lags behind planned targets. If the grain harvest was fairly good this year, it was poor for cotton and very bad for potatoes.

The strains caused by increased expenditure on defence have in recent months given rise to a fascinating discussion in the Soviet press about the best means of increasing productivity and the quality of output. The revision of wholesale prices was not the only subject involved. Suggestions were made that, within the broad framework of a general plan, profitability should become the main criterion. Directors of firms, instead of being crippled by controls, should be given a maximum of autonomy; the interest of labour should be enlisted in the working of the enterprise through profit-sharing schemes; and so on. The debate was echoed in eastern Europe, particularly in Poland, since with the growing integration of the block what happens in Moscow is of vital interest to all. (Mr Khrushchev, incidentally, revealed that the prime ministers and party secretaries of the countries belonging to the Council for Mutual Economic Aid (Comecon) will soon meet to debate a common plan for the block.)

In the West, this discussion in Russia has aroused speculation about an impending radical reform of the Soviet planning system.

Mr Khrushchev did not confirm these rumours, at least not in the expected direction. He paid lip-service to profitability and to the lessons to be learnt from western experience. But he decided that before embarking on any radical departures, it was safer to tighten party control. Stalin, he argued, stayed hidden behind the walls of the Kremlin. Leaders and party members alike have now to take a direct part in the economic battle. They must be turned into inspectors of the administration, into overseers of production and planning.

In order to achieve this, Mr Khrushchev proposes to split the party into two, from top to bottom, on functional lines. From the local and regional level to the very heart of the party in Moscow, the party committees are to be divided into industrial and agricultural branches. Thus, at the party headquarters in Moscow there is to be an industrial as well as a farming overlord. The scheme still has many gaps. What will be the relationship between the farming and industrial wings, and between both of them and the existing economic organs? The Gosplan, which up to now has dealt with current planning, is to turn its attention to the elaboration of long-term blueprints. (The fate of the special council hitherto fulfilling that function is unknown.) Current planning will now be the province of a new body, the Soviet of the National Economy, which is to be put at the head of the regional economic councils (or *Sovnarkhozy*).

The shape of the new organisation is not yet clear, but the present tendency does not seem to be towards greater autonomy. The *Sovnarkhozy*, created in 1957 in an attempt to decentralise, are now to be reduced in numbers (from 67 to 22 in the Russian republic and from 14 to 7 in the Ukraine). The party is to increase its hold over both the administration and management.

The discussion about economic management was not without its strains. The shake-up of the party that is implicit in Mr Khrushchev's proposals provides an opportunity for rewarding the victorious wing and downgrading opponents. But at this point the economic debate borders on the ideological and strategic conflict that is now being fought out. The current session of the central committee may still bring surprises. Next month's meeting of the Supreme Soviet will also provide the occasion for a reshuffle. Plenty of signs suggest that Russia, and possibly the Soviet block as a whole, is on the eve of some major changes.

Canada's Leaking Dyke

FROM OUR CORRESPONDENT IN CANADA

THE Diefenbaker government is living, like the legendary little Dutch boy, under the protection of a precarious and leaking dyke, trusting that either the Social Credit or the New Democratic group will thrust a finger into every hole the Liberals can make. Yet the suspense and excitement that marked the first few weeks of this badly divided Parliament have subsided. The public, which never pays half as much attention to the House of Commons as the members imagine, has relapsed into something approaching its usual indifference, convinced that there will not be an election until the spring, and not wanting one without some clearer sign that a new election would provide a more decisive result than the one held last June.

This acceptance of what one reporter called "government at the edge of the abyss" derives both from the improved financial and business climate and also from the pattern into which the politicians' performance has fallen. The satisfactory growth of the exchange reserves, which depended until the end of September largely on the reverse flow of speculative funds, has been confirmed by what Mr Rasminsky, the governor of the Bank of Canada, dared two weeks ago to call "the resumption of sizeable long-term capital inflows." The relief of the business and financial community has grown into something more like confidence, which in turn has

been increased by a moderate but definite change in central bank policy towards greater monetary ease. It seemed impossible last June that such a degree of cheer and confidence could be restored so soon.

More unpredictably, the federal government's financial position looks healthy. Unless the inflow of capital requires an unexpectedly heavy flow of cash into the exchange fund, the government's cash requirements look like being covered for some time to come by a very large sale of Canadian savings bonds. Between December 1st and January 1st, \$615 million of government bonds fall due, but the market believes that about half of them are already held by the Bank of Canada. If the budgetary outlook were as rosy as the cash position, the finance minister, Mr George Nowlan, would have few short-term worries. But the budget which is promised early in the New Year will be extraordinarily difficult to devise. Most of the cuts that were made as part of the emergency measures of June 24th were achieved by deferment rather than permanent economies, and probably the major part will have to be restored next year. To return to a budget deficit of \$750 million which Mr Fleming proposed last April would be damaging both politically and financially; yet it does not look as though the increase in national product next year will yield enough revenue to cut it much below that. But any increase in the tax take will have unfavourable effects economically and politically. Economic policy, as the Bank of Canada has openly proclaimed, should be expansionist so far as the exchange position permits. Political considerations compel Mr Nowlan to regard his first budget as being possibly his last and to make it as sweet as he can for the electors.

This is on the assumption that the two smaller parties keep the government in power into the new year; the assumption is by no means sure. It depends first on Mr Thompson's ability to prevent his Quebec deputy, Mr Real Caouette, from swinging the 26 Social Credit members from Quebec against the government. Their attitude will largely depend on how they interpret the results of the provincial election in Quebec on November 14th. The Social Credit party did not participate in the provincial election, but the opposition party, *L'Union Nationale*, now led by Mr Daniel Johnson in place of the late Maurice Duplessis, had counted on picking up a good many votes from discontented Social Creditors. In the result, the provincial Liberals led by Mr Jean Lesage came back triumphantly with an increased majority, and many observers, including especially the federal Liberals, conclude that the Social Credit threat is waning rather than waxing. Whether they are right or not, this belief has certainly confirmed the Liberals' determination to bring on an election whenever they can.

But it is not enough for the Liberals to get Social Credit support against the government unless the 19 members from the New Democratic party (whose leader, Mr T. C. Douglas, has now won a by-election seat) at least abstain from voting. They tried this rather embarrassingly when they supported a Social Credit amendment to a supply motion calling for "debt free money." The manœuvre established once and for all that Mr Pearson and his followers are genuinely trying to defeat the government, not merely shadow boxing. But it also showed that Mr Douglas and his followers are just as determined not to, and though they are the smallest party in the House they have the last word.

It looks, therefore, as though Mr Nowlan will have to face the unenviable job of presenting a budget in January. Moreover, if he is ingenious enough, and if the business and financial outlook is still as hopeful four months hence, the Conservatives might come out of the next election better than the last. They have learned a good deal since their humiliation last June. The changes in August have greatly improved the cabinet. The exchange crisis has compelled ministers to rely on sober official advice. The Diefenbaker government for the first time appears to be more devoted to government than to Diefenbaker, and the results so far have strengthened the government party as well as the country.

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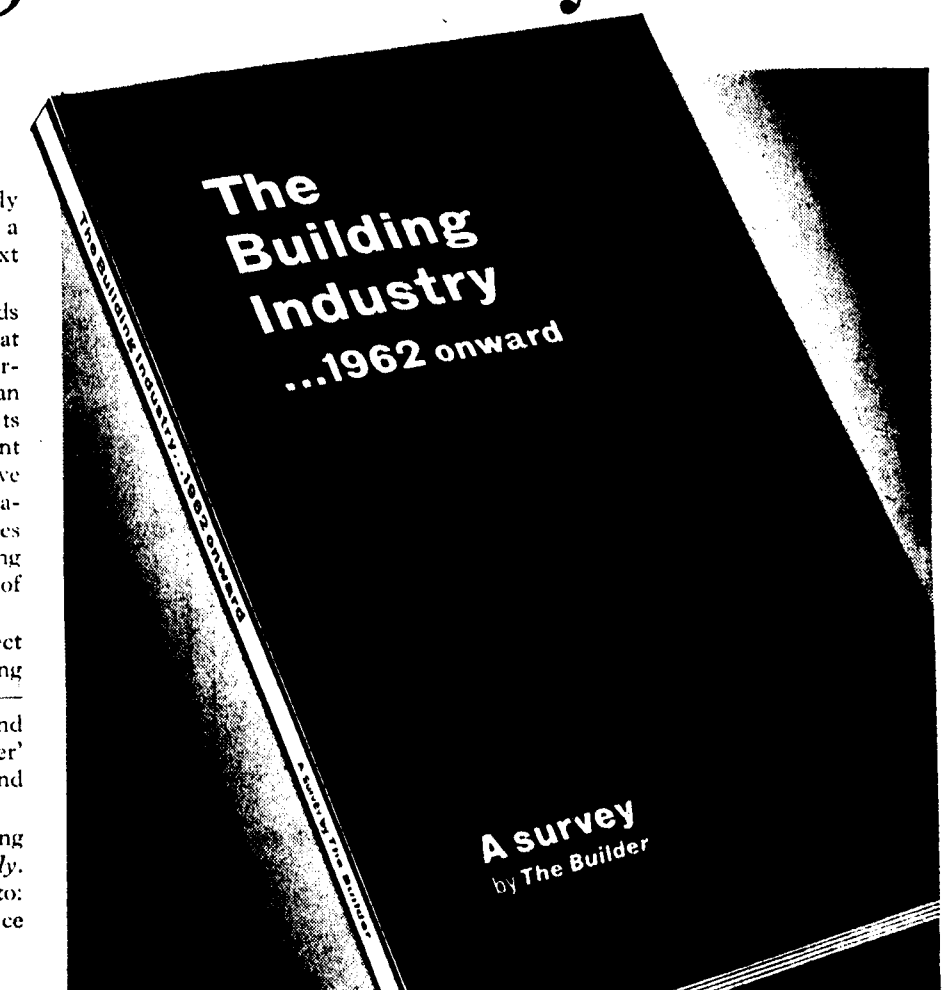
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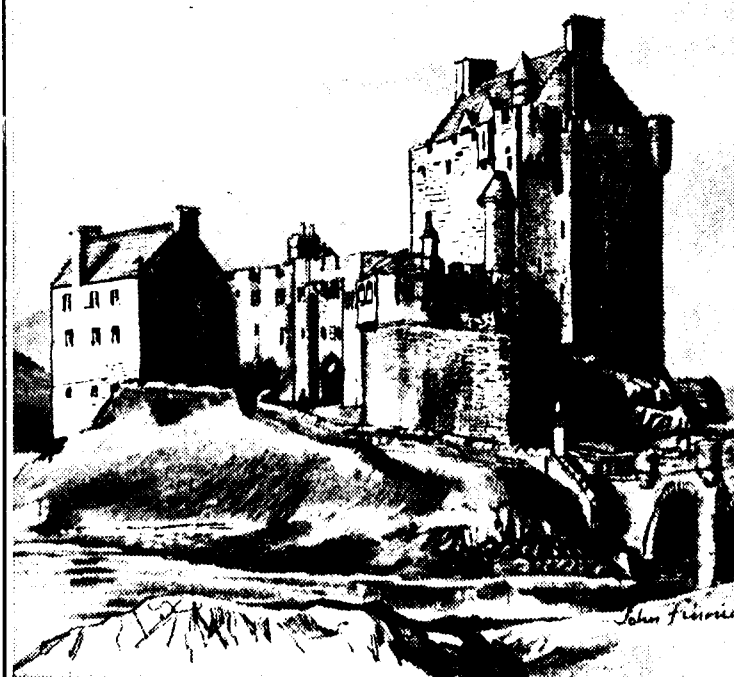
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THE BUSINESS WORLD

Putting the Builder's House in Order

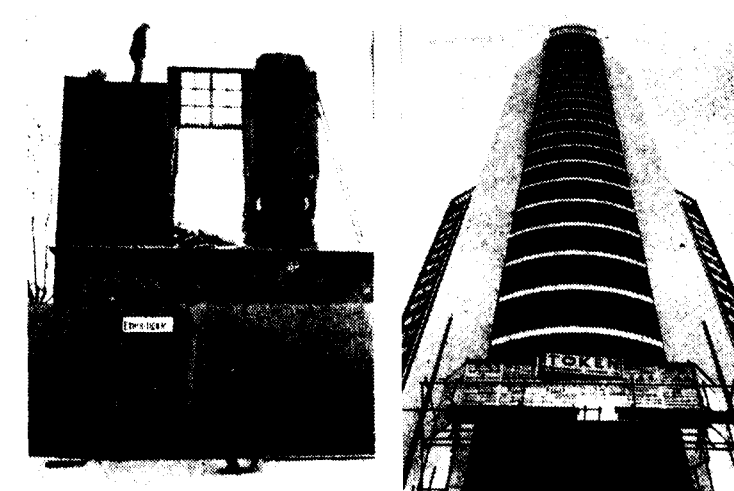
INSIDE the sprawling, ill-co-ordinated body of the building industry there might just be an upright clean-limbed giant struggling to get out. But, we are told, for the short-sightedness of clients, the lack of realism of architects, the plodding conventionalism of builders, the cussedness of sub-contractors, the impracticality of manufacturers . . . but indeed for human nature this giant could have been set free years ago.

No industry, perhaps, suffers so much from human failures of communication as does this one, with its notorious diffusion of responsibilities and its fragmentation of resources among tens of thousands of firms, many of them one-man concerns and only half a dozen of them employing more than 5,000 people. But changes of heart to a large extent mean changes of rules, procedures and standards. The main question about construction in Britain is whether these imprisoning details can be hacked away fast enough to release the extra productivity needed. A survey* published this week suggests that the average annual demand for building work between 1965 and 1970 may reach £3,700-£4,300 million (reckoned at 1961 prices), or 30-50 per cent more than the £2,845 million spent on construction last year. This estimate, which is not set out in any detail, seems to be based on estimates of future "need" for different kinds of constructional work that the authors have been able to assemble from specialised sources, and may itself therefore be hopeful. But however large the rise in effective demand may turn out to be, one thing is fairly clear: the industry cannot count on much extra manpower, and it needs a rapid rise in productivity. Radical technical advance—the complete bathroom units dangling from giant cranes—cannot play its economic part in the process until organisational changes are made at all stages.

Plenty of people, particularly in government departments concerned with building, have been saying this for a long time. Their views were accepted in general terms in the official Emmerson report† published in April; and are impressively endorsed, with detailed chapter and verse collected

* "The Building Industry—1962 onwards." A survey prepared for The Builder Ltd., by O. W. Roskill, industrial consultants. 155 pp, price £7 7s.

† Survey of Problems Before the Construction Industries. Ministry of Works. 1s. 6d.



from all sections of the industry, in *The Builder's* survey, which gives an up-to-date anatomical survey of the whole twitching monster. Its main recommendations support those of the "logical school" who have practical experience of the advantages of standardised techniques and streamlined procedures.

This school is best personified in Sir Donald Gibson, recently appointed as director-general of research and development to the Minister of Public Building and Works. His job is to push the whole public authority building programme, which currently accounts for about 50 per cent of total construction work in Britain, into rational modernity, and so to guide the entire building industry along the same path. Three directors have this week been appointed under him to work in the fields of development, building management, and research and information—the broad categories into which his new department's programme will fall. But it will also be engaged on the important primary task of piecing together a picture of the entire resources and potential of the industry on which a realistic planning of public building can be based. The close association of Mr Rippon's ministry with "the central planning machinery" should make it possible to provide what in Sir Donald Gibson's view and in the opinion of the authors of *The Builder* survey is the prerequisite to steady development of this industry: a guaranteed basic programme of work, apart from the more marginal public projects which alone would be trimmed in times of recession. Sudden decisions to cut back public investment plans—as, for instance, in 1957—have made contractors cramped and hesitant in their approach at times when the logic of new techniques was calling for more outlay on capital equipment, and for less dependence on the casual labour force which has been a traditional shock absorber.

Division of powers and interests within this industry has

meant that integrated research into design, construction and materials has been almost entirely left to government or local authority development groups on the postwar Hertfordshire school building model, out of which followed the setting up of the CLASP consortium. Believers in its principles of cost limits, modular co-ordination, prefabrication, joint bulk-buying, simplified contract procedures, and close co-operation between architect, builder and supplier, are now to be found in the more progressive local building authorities and the architectural departments of Ministries. The hospital service has its own development group and the idea has begun to spread to local authority housing, in Yorkshire and Sheffield for example. Sir Donald Gibson is determined to work as far as possible through these groups, though he is also prepared to call on universities, manufacturers and anyone else who can help—including the Building Research Station, though this basic research unit rather anomalously is to remain under the Ministry of Science. It remains to be seen exactly how Mr Rippon and his “ginger group” will fit in with the independent gingering of the Ministry of Housing, which has set up its own office in Manchester to advise local authorities who want to start their own development teams. But successful as the development group idea has been proved to be as a means of orderly innovation, its influence on the total bulk of construction work is as yet minute, and cannot be expected to spread fast. Even the much-publicised CLASP and its companion SCOLA probably only account for about 10 per cent of the annual expenditure on school building.

SPEED of construction is the tangible advantage of prefabricated building methods, but the problem facing both government developers and the owners or licensees of the various proprietary systems is to demonstrate how costs as well as time can be cut on really big scale projects. For most local authorities this would require some degree of co-operation to build up such big orders, but it is hard for them to commit themselves to co-operation on the basis of “once-off” projects that look alarmingly dear when costed up by the quantity surveyor. Some of the biggest individual authorities—London, Birmingham, Leeds, Coventry—are using proprietary precast concrete systems to build high flats in large enough numbers—at least 500 at a time—to be “comparable” in cost with conventional methods (which nowadays often means a combination of prefabricated and on-site work) but nobody is prepared to go beyond that cautious adjective. Nor can any manufacturer of “industrialised,” or factory-made, systems offer a cheap enough product without the backing of these large local authority orders. But one effect of this will certainly be to make the contractor for a proprietary system or the manufacturer of components for any “custom built” system, much more dependent on its chief public clients than at present—and vice-versa. The danger of this was illustrated earlier this year when the company supplying structural frames for schools to CLASP, SCOLA and Hertfordshire, went into liquidation. That sort of risk, however, is exactly what could be reduced or eliminated with greater security in forward planning.

Fortunately there is a great deal of rationalisation implicit in the idea of contractors’ consortiums, which can and should be pushed wherever possible, and many efficiency measures

that the industry itself could introduce without waiting for a change of heart from its more hide-bound clients. Pooling of resources should not be limited to the buying side of the market. Architect/engineer partnerships are still rare but they offer big possibilities; contracting combinations of the kind generally found only in foreign tenders are undoubtedly useful on large schemes; even the nowadays slightly suspect “package deals” have some obvious organisational advantages. With the increased fragmentation of work among sub-contractors—due partly to the shortage of skilled men working for main contractors and to the increased complexity of services, particularly in high buildings—site control nowadays requires a more masterly mind than it generally gets.

Students of British contracting now recommend the abandonment by local authorities as wasteful, of the open competitive tendering system, to which many cling in a rather nervous desire to demonstrate impartiality and to produce the lowest possible price regardless of other factors—efficiency and suitability of methods—which may also affect costs. The alternatives—inviting tenders from a selected list or negotiating contracts with particular builders—cut down or eliminate the wasteful element in competitive tendering which is reckoned by the authors of *The Builder Survey* to cost the construction industry about £30 million a year. They also point out that new techniques or particular skills or types of equipment offered by a contractor nowadays make it profitable for all concerned if he is called in as early as possible in the design stage. One would like to see a wider application in public contracts of the methods used at the War Office, in which the contractor is asked to tender on a skeleton design, on the understanding that if successful he will be given similar contracts over the next eighteen months to be costed on the same basis.

TIDYING up of planning procedures to speed land acquisition, and of miscellaneous interpretation of bye-laws which, on things like room-heights, make any general standardisation impossible—these are things about which the government must act if it cannot first reason local authorities into uniformity. The Ministry of Housing will soon be producing its recommendations (on the principle already advocated by the RIBA among others) for the adoption of the four-inch, or more strictly ten-centimetre, module for industrialised building; one of the main tasks to be undertaken at the Ministry of Public Building and Works will be the extension of this to a system of preferred dimensions for all components and fittings, whether for industrialised or conventional building. This is an extremely complicated task, particularly for housing, but it must be carried through as soon as possible to give manufacturers a sure lead. Once a wide range of accurately interchangeable components is available a good deal of the expense incurred in any present “closed” prefabricated system, in each of which the parts are designed with reference only to that system, may be avoided. Everyone should benefit from cutting down on needlessly wide ranges of sizes. In time the supply of adaptable but related prefabricated components should give the small builder a valuable entry into a field which is at present dominated by large firms; the spread of plant hire may also make this possible.

The aim of all this must be to produce buildings that not

only go up faster and more cheaply than before but are more suited to the needs of those who use them. Last year only 5 per cent of the Building Research Station’s expenditure was devoted to “user needs.” Work study in hospitals, and social surveys by the Ministry of Housing (into things like the

number of power points needed by a family) are just a beginning of the much closer relation of design to function. As yet nobody can come near measuring the complex of physical, physiological and psychological factors according to which the performance of a building should be judged.

Canada after the Storm

Our Special Correspondent who set down his forebodings about the Canadian economy eighteen months ago has lately paid another visit to the Dominion. In the following articles he attempts to disentangle the confused threads of relief and doubt in Canadian thinking after a summer of monetary and political crisis. Canadians are certain that profound changes are needed in economic policy. But they are not certain what these changes should be; and our correspondent’s own leanings would not secure universal assent among seriously thinking Canadians. Our Ottawa correspondent has some additional comments on page 782.

For this Relief . . .

ALREADY one senses that the cathartic experience of June’s crisis surmounted has lost much of its power to rally Canadian economic thinking towards new courses of decision. The feeling was fine while it lasted, but the recovery from the impact of crisis has perhaps been too rapid for Canada’s good. Between the end of March and June 24th—when Mr Diefenbaker announced emergency measures a week after he had been put back in office without a majority—Canada lost \$600 million of reserves. By June 30th the reserves had been increased by over \$700 million to \$1,809 million largely by drawings from the International Monetary Fund and by the credit arrangements with the Federal Reserve and the Bank of England. By the end of October, after a series of fairly impressive monthly increases, the reserves were up to \$2,614 million. Successive reductions have brought down the Canadian Bank rate fixed at 6 per cent in June to 4 per cent, after a somewhat startling cut of 1 per cent last week. Half of the \$250 million loan arranged in New York was paid in during October; and half of the two arrangements with the Federal Reserve (\$250 million) and the Bank of England (\$100 million) have been relinquished.

All this undoubtedly looks good on paper—but to a British eye, hardened by experience in distinguishing between transient and permanent improvement, perhaps too good to be entirely trusted. What led to the drain of foreign exchange resources during the early summer was the widespread doubt about where the Canadian dollar would be stabilised—a doubt by no means removed by the fixing of the rate at 92½ US cents to the Canadian dollar in May. The June measures buttressed the rate in the nick of time and with the easing of suspicion about the Canadian dollar it now looks fairly firmly established at the new fixed parity, and indeed may be somewhat undervalued for the time being. But a fixed exchange rate involves the acceptance of new

disciplines, including the need for bigger reserves. Intense argument is already building up about whether to stay fixed or to float again; but if a fixed rate is, certainly for the time being, an international necessity, the need for more reserves argues itself.

Yet one’s impression is that the post-crisis euphoria has gone further than is healthy for Canada. The inflow of foreign exchange could easily be discouraged—by trying to set interest rates too low, for example, or by the renewal of menacing noises against American capital, of which there are already signs, little more than a month since the Canadian government itself was borrowing in New York. It may well be that Canada’s merchandise trade this year will be in rough balance, but that is nothing; last year there was a surplus on trade account, yet a round billion dollars was needed to balance the current account, and that has been the average figure for nine years—to be made good by capital inflow, mainly from the United States. Under no conceivable set of circumstances can Canada quickly rid itself of dependence on new inflows of American capital. The country would plunge to economic disaster without it (that was the fatal weakness of the self-sufficiency policy that Mr Coyne argued when he was governor of the Bank of Canada). At the same time, the extent of this dependence has become thoroughly unnerving to Canadians who are neither xenophobic in their politics or illiberal in their economics; it must be inimical to Canada’s long-term interests, to say nothing of her ambitions of economic independence, that its borrowing last year was equivalent to half its imports of consumer goods.

The Search for Political Answers

IT may be that Bay Street bankers in Toronto hold such views as these more strongly than do other Canadians. But they are in fact widely shared and they are prompting a new search for answers, ranging from those that are stuffily inappropriate for a Canada to which sound growth is all-important to the extreme “go it regardless” ideas that put growth way ahead of any other consideration, and the external value of the currency last. But the search is at present utterly frustrated by the impasse of Canadian politics. Right answers would be difficult enough to find if there were a clearly responsible majority, whether Conservative or Liberal, in Ottawa’s House of Commons. But Mr Diefenbaker is a prisoner of the Social Credit party, whose 26 members from Quebec, led by Mr Real Caouette, are busy quarrelling with the party’s leader from the west, Mr Robert Thompson. If Mr Caouette could have controlled his followers three

weeks ago he could have brought the Diefenbaker government down and forced an election in January. The Liberals seem cynical enough for anything, provided it leads to an early election—even to arguing that important parts of Social Credit economics are to be found in the Liberal platform. But behind this opportunism lies a conviction that the political instability which Canada is now having to endure must be ended by enduring the further uncertainty of another election—and if this leads to foreigners renewing their doubts about the Canadian dollar or to squawks from the people who found the \$10 million to fight the last election, that, the Liberals seem to be saying, is just too bad. They sit working out their psephological cat's-cradles—"If we could win ten more seats, if Social Credit could be defeated by people shocked at putting them in last May, if the New Democratic party could win ten seats. . . ."

It is always risky to translate provincial politics into federal terms. Mr Lesage last week won for the Liberals in Quebec an increased majority after a snap election to take privately-owned power companies into public ownership (not, one would think, the most exciting of issues, particularly since Mr Lesage has committed himself to the principle of arbitral compensation, whereas the word for Mr Bennett in British Columbia was arbitrary). About the one consoling thing in this result is the further waning of the secessionist pro-French and anti-everything else Union Nationale party. There are Liberals, smarting under the loss of Quebec in the last federal election, who hope to bring back Mr Lesage into federal politics. One suspects that this is not how Mr Lesage views his political future. Undoubtedly the Liberals need leaders not merely capable of engaging public respect (which Mr Lester Pearson and Mr Walter Gordon most certainly are) but with all the power of personal projection and with the capacity for slogging politics that Canadian voters revel in. There is no comfort for Mr Diefenbaker in what happened in Quebec last week; but there is not a great deal for Mr Pearson either. And the present government could survive for some considerable time yet, provided that it does not go so far as to provoke the *Creditistes* into opposition. The spectacle of Ottawa politics, dominated by a couple of dozen political illiterates led by a man of frightening passion, is at present far from engaging.

Ottawa's Preoccupations

AMONG the ministers and ministries in Ottawa, one has to expect optimism, but there are thinking men among the politicians who now hold uneasy power, as well as the other sort. One must regard Mr George Nowlan as a good exchange for Mr Donald Fleming at the Ministry of Finance (and the same must be said for the collateral exchange of Mr Louis Rasminsky for Mr James Coyne as governor of the Bank of Canada). They spend an hour a week together, which is an hour more than used to happen. Mr Nowlan recognises the dangers for Canada in having to rely, as in the past, on massive capital inflows to cover over-large current deficits; they cannot be reduced overnight—some net import of capital will clearly be needed for a good time to come, but neither can a basic improvement be secured by restrictive measures, such as the import surcharges introduced in June. Ministers reiterate that they will be lifted as soon as the

balance of payments and the size of the reserves permit, and some earnest of these intentions is to be seen in the minor withdrawals that the Canadian government has made. But one has to question coupling devaluation in a double dose with the surcharges. A dollar at 92½ US cents seems on the cheap side in relation to Canadian costs and should not need the supplementary protection of import surcharges that range between 5 and 15 per cent on just over \$3 billion of imports. Certainly, the Americans are becoming increasingly restive about them, and the longer they are retained the greater is the likelihood that Canada's internal costs will rise (there are already signs of this happening).

Similarly, the budget deficit (after much had been made of a paper improvement to make the crisis measures "take") is rising towards the spring figure of \$750 million. Messiness is characteristic of most budgeting, and not least of Canada's; Mr Nowlan is presently concerned with the statutory implementation of Mr Fleming's incentive cuts of last April and he will be fiscally (though not necessarily politically?) incapable of expansionary budgeting by across the board tax reductions when he comes to frame next year's budget from the basis of this year's deficit. His problem is to cover the inevitable increases in expenditure (some merely deferred this summer) by tax increases that do not frustrate expansion; but it is a widely held belief in Canada (recently signalled by the appointment of a Royal Commission to study the matter) that the Canadian tax structure impedes expansion. Mr Nowlan has inherited some disagreeable tasks, but he might deal fairly swiftly with the more ridiculous gimmicks in the present corporation and sales taxes.

Yet the very people who argue for tax cuts and oppose the removal of the surcharges are a good deal less vocal about the effect of devaluation on Canada's external trade. It is still too early to measure with any certainty in the trade figures, and the Canadian resource industries are being notably circumspect in not offering serious price competition in the American market to take advantage of the new rate (fears of retaliation from American lumber and oil industries are ever present). But a newsprint producer selling at \$US192 a ton brought home \$Can.125 when the Canadian dollar was at 105 US cents; now he brings home \$Can.145—an improvement of 16 per cent in local currency terms which must cover his increased costs so far. Similarly, the new rate (double-banked by the surcharges) is encouraging a good deal of import saving. But perhaps the most direct effect will be felt, not until next year, in the balance of tourist expenditures north and south of the border.

Through a Glass Darkly

AT present, all seems confused and little resolved after Canada's crisis. For this the treacherously unstable balance of political forces must take much of the blame; real leadership will have to wait for some kind of stable majority at Ottawa. Long before Canada is out of the wood, the predictable campaigns against "tight money" are having their effect—and their collateral effects on the reserves now remain to be seen. Within the last fortnight Professor Scott Gordon of Carleton University (it was he who led the remarkable academic campaign against Mr Coyne two years ago) has

been arguing in the *Financial Times* of Montreal that the Canadian dollar is now so strong that expansionary domestic policies are necessary to support the stability of the rate. "The immediate need," he says, "is obviously to rescind the emergency measures instituted in June. These were designed to deal with a crisis of confidence and a speculative attack on the dollar. These problems have now been surmounted and the retention of the measures is no longer justified." Professor Scott Gordon includes in this the rescinding of the foreign credits. All this done, "we should move over strongly to the expansion tack in our economic policy . . . with an air of confidence and determination."

Victory over the exchange problem has been won, and Canada now has freedom to pursue domestic expansion. That is the argument. Professor Harry Johnson, of the University of Chicago and born a Canadian, has recently told a Toronto audience that Canada should return to a floating foreign exchange rate, follow an expansionary monetary policy, and cut tariffs. (He also had some tough things to say about insistence on the "spurious problem" of increasing American domination of the Canadian economy—"a piece of hypocrisy perpetuated by commercial greed aiming to exploit the Canadian inferiority complex under the guise of patriotism.") There is a world of difference between views such as these and the contention of a leading Canadian bank that "in the present circumstances the only unchallengeable stand is a balanced national budget and a balance on current account transactions in our international payments, with indeed a surplus on both accounts." Nothing is more certain in the present circumstances than that neither achievement is possible, and if either were, the consequences for Canadian progress towards a new and secure prosperity would not be agreeable. Britain is not the only country where the extremes of orthodoxy and new orthodoxy have to be resolved. But it does seem a little odd to the outsider that the Canadian "anti-stagnation" school has not forborne to wait even six months before advocating the complete reversal of the June policies. Expansion in the first six months of this year did not in itself produced the June crisis; but the facts of the crisis and its aftermath can hardly be ignored in the phasing of a determined drive towards expansion as if all were now safe.

Which Way Now?

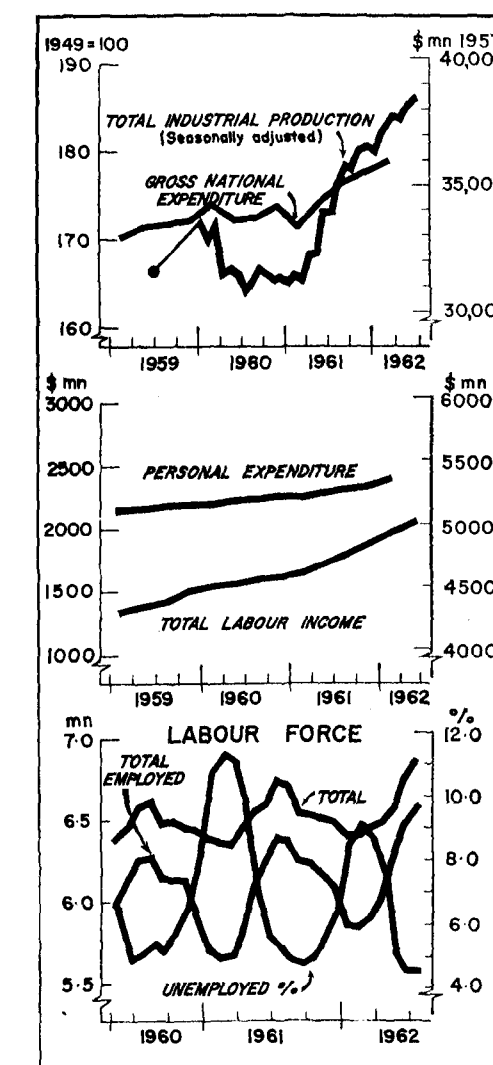
WITH the reappearance of a sizeable flow of long-term capital into Canada and the build-up of the exchange reserves, the Bank of Canada last week decided that "greater weight could in the present circumstances be given to other

factors"—in other words cheaper money. There are cynics who suggest that last week's reduction in Bank rate by a whole point to 4 per cent may have been politically inspired. The Social Credit party has threatened to vote against the government or to abstain on motions of confidence unless the government ends "austerity." And government spokesmen outside Parliament have been condemning the chartered banks for maintaining "tight money." Although the governor of the Bank of Canada last week said all the right things about protecting the external value of the dollar and about the need for improvement in Canada's underlying international payments through a better balance of external transactions in goods and services, his warning has not allayed the fear that a new crisis might be on the way.

All friends of Canada will hope that this does not come. But first there has to be an effective national purpose translated into workable political terms. Perhaps that is impossible too, for the Liberals are not far behind the Conservatives when it comes to election promises and the disciplines of an honest political programme could hardly fail to encourage Canada's tiresome crackpot politicians. But screaming for growth, as though there were no such things as a world outside Canada, is just foolish at this stage of the country's convalescence. How much growth can there be without external markets, capital from abroad, and imported techniques? Take all these away and you leave nineteen million people to enjoy the full life on lumber, wheat and fish. The argument has an absurd end but it begins from painful uncertainties in the Canadian mind caused by the waning Commonwealth and the growing United States; the inferiority complex to which Professor Johnson has referred must be recognised as a powerful political force.

It is certainly inhibiting the kind of all-party and all-Canadian objective examination of Canada's economic and industrial structure. Cheap money does nothing to help this, for the needs are of a long term kind—structure is the word,

not a bigger head of steam in the present economy. There is a great deal that is sound in the Canadian economic structure. One has had to wait a long time for the fulfilment of the Paley and Gordon reports; when world demand for primary commodities does expand to meet existing capacity, what other countries than Canada will be better placed to supply lumber, newsprint, aluminium and wheat? But the process of waiting has meant that there is no possibility in the next several years of a Canadian boom based on a new expansion of the resource industries—indeed, once set up, these are not labour absorbing. Some custom-built engineering and electronic products are already competitive in the United States over a stiff tariff. There is hope of "Bladenising" some Canadian



import duties so that, say, American-owned automobile plants in Canada can obtain a drawback of import duties on American parts to the extent that these are balanced by Canadian-made components exported to the United States (the aluminium engine block plant at Beauharnois owned by General Motors has remarkably low costs and on level terms could fill the whole American market). There must be more industrial concentration to secure longer runs, and better education of Canadian labour and management. But there are good judges who argue that Canada suffers from less structural unemployment than is commonly supposed and that a 6 per cent seasonally corrected rate, giving 400,000 registered unemployed, is not repugnant to the facts of Canada's geography and economy. (The emerging population bulge is a different and formidable question, which can only be answered by a much improved export performance by manufacturing industry.)

An Opportunity to Grasp

THIS discussion leads to the exciting and crucial possibilities that have opened for Canada from the American Trade Expansion Act. The new Act offers the chances of escape from a market of eighteen million to one of five hundred million customers at the price of abandoning the "National Policy" of high protection which has been the foundation of Canadian industrial policy since 1879. Such an idea is fighting talk in Canada, for this policy is firmly bound to Canadian ideas of political independence; even without importing the slightest element of nationalist prejudice, a change of this profound order of importance is bound to perplex both Canadians and Canadiens, conscious of losing the past benefits of the Commonwealth link and of losing more with Britain inside Europe. Their understandable fear in this situation is to be thrown unprotected into the American orbit, losing both economic and political independence in the process. Only in the last three months has it become possible to see a workable alternative to a declining insular economy. There is now the chance of expansion in a communal market embracing Europe and the Atlantic Basin—at an international price.

The broad terms of the Trade Expansion Act empower the President to make tariff cuts in three categories: the halving of tariffs in reciprocal negotiations with other countries; reduction to zero of American tariffs of 5 per cent or less; and negotiation to zero of American tariffs on items in which the United States and the European Economic Community *cum* Britain account for 80 per cent of free world exports. The potential advantages to Canada under such a non- or low-tariff regime surely need no emphasis; yet the staggering thing is that the Canadian authorities have had no meaningful discussion with the Americans about it all until quite recently. All told, trade worth over a billion dollars (not counting raw materials entering the United States duty free) is involved. And the further advantage to Canada, when the Act is purposefully applied, is that the tariff cuts that America makes will be generalised by collateral bargains with the EEC (with Britain in it) and with Japan, giving Canada wider openings there.

This, indeed, is not something for nothing. The price is

that high protection for Canadian industry will have to be cut or even cut out. Protection (up to 25 per cent, with surcharges now added) is something to which Canadian industry has been clinging for nearly a century, and industrial spokesmen make no bones about their fears of effective competition. The fact is that in many ranges of manufacture, though with some exceptions, Canadian costs are too high, as they are likely to be in a small and highly protected market. The expansion that Canada needs for growth and employment is not in the resource industries (for these the American market is more or less open and secure) but in manufacture, including the further processing of raw materials that now leave Canada in the primary stage.

Some far-sighted officials in Ottawa can see a possible timetable for an effective negotiation to put Canada in a new international economic setting, with minimal risk to its political independence. The present negotiation between the United Kingdom and the EEC will be concluded by next spring. The United States will start its tariff bargaining through Gatt. When these discussions are well established, the international conference that Mr Diefenbaker has called for (now given some real content after the passage of the Trade Expansion Act) could be held, bringing in "similarly situated" countries like Japan. And eventually—in 1964 with luck?—a conference under United Nations auspices could bring together all the problems of development, multilateral aid, and commodity schemes. It is a formidable agenda, and an exciting one.

The question for Canada is whether it can respond to this grand challenge. The problems of economic and industrial adjustment would be formidable—as they will be for every other country. The alternative is slow growth, or no growth; the further limitation of opportunities for the increasing population of Canada to live independently, securely and well; the increasing magnetism of the United States for able and educated Canadians; and diminishing political influence as economic insulation grows. But a realist must recognise that there is no present springboard from which Canada can make such an historic jump. The political groundwork has not even been started and the time is short. That is why the resolving of the present political stalemate will first be necessary. If the present government tries for the lowest kind of popularity, by easier economic policies and by stealing the *Creditistes* trousers, in the hope of prolonging its days in office, it will do Canada and the Canadian people a monstrous disservice. An election must come soon. One must hope that it will face realities, for out of it could come new horizons for Canada and real opportunities for Canadians.

Business Notes appear in this issue on page 835, immediately following the survey of international banking. This week's important company news occupies four pages, 858 to 861.

INTERNATIONAL BANKING A SURVEY BY THE ECONOMIST

BANKS after the BOOM

*The practical problems facing
commercial bankers the world
over now that the lush times
are past*

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HOW A NATION GROWS

Airport project will speed up international traffic

Tokyo's Haneda International Airport, the busiest in the Far East, is being expanded at a cost of ¥8,300,000,000. Hydraulic dredges are reclaiming land from Tokyo Bay for a new 3150 metre jet runway. New boarding aprons and expansion of the terminal building will greatly increase efficiency. Here is a tangible symbol of confidence in Japan's economic future. It is only one of many major civil engineering projects throughout the country that will expedite the flow of goods and people and contribute to Japan's economic growth.

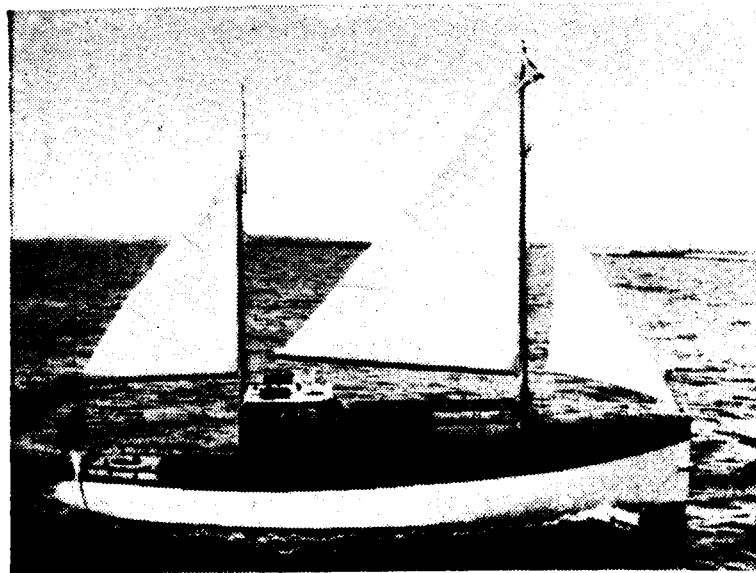
The growth rate of Japan's economy in the past few years has attracted astute investors throughout the world.

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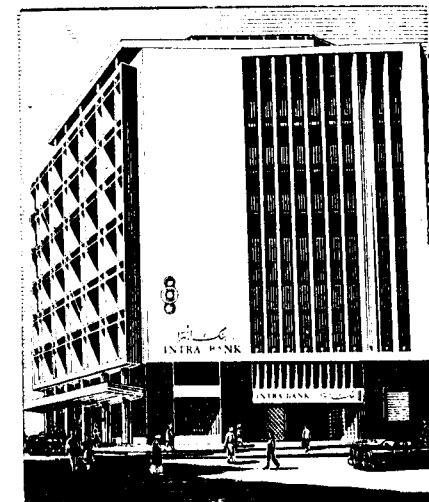
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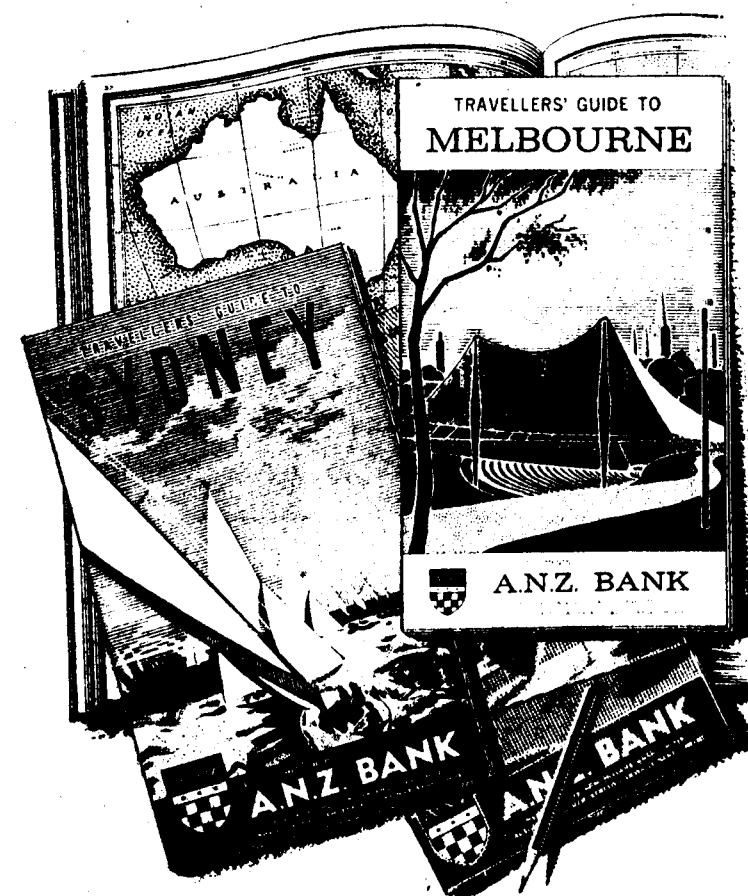
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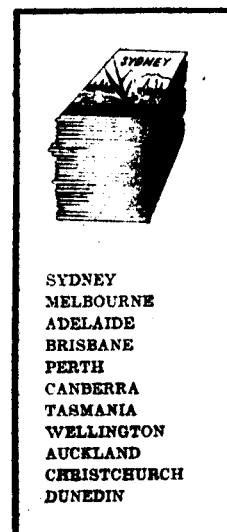
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LIABILITIES	Condition AS AT 31.7.62 LL.	Balance Sheet AS AT 31.12.61 LL.	ASSETS	Condition AS AT 31.7.62 LL.	Balance Sheet AS AT 31.12.61 LL.
Capital			Cash in hand and at banks	209,414,354	170,680,820
600,000 Shares at LL.100 each	60,000,000	30,000,000	Govt. bonds, stocks and shares (at cost)	24,411,315	16,550,995
Issued and Paid up Capital			Investments (at cost)	7,548,290	7,795,945
300,000 Shares at LL.100 each (fully paid)	30,000,000	30,000,000	Bills discounted	47,780,680	37,699,927
192,890 Shares at LL.100 each (fully paid in advance)	19,289,000		Advances	202,648,557	155,669,521
107,110 Shares at LL.100 each 1st call 25% Paid	2,677,750		Shares in affiliated companies (at cost)	12,318,792	7,045,600
Advance Payments received on future Calls	45,743		Bank premises and other real estate (at cost)	24,181,826	23,902,501
	52,012,493	6,750,000	Furniture and fixtures (after depreciation)	2,038,449	1,562,137
Capital Reserve	6,750,000	6,750,000	Capital of Syrian branches and affiliated companies (nationalised)	—	4,391,069
Statutory Reserve	1,274,080	1,274,080	Other accounts	6,182,690	6,281,427
			Customers' liability under guarantees and commercial credits (per contra)	57,597,728	50,597,954
Total	60,036,573	40,036,573			
Other Reserves and Provisions	4,286,633	4,058,558			
Deposits					
Time and Fixed Deposits	211,316,937	153,673,792			
Savings Accounts	44,008,219	37,330,231			
Current Accounts	207,872,162	191,956,795			
Total deposits	463,197,318	382,960,818			
Other accounts	9,004,432	5,936,486			
Guarantees and commercial credits on account of customers (per contra)	57,597,728	50,597,954			
TOTAL LIABILITIES	594,122,684	481,577,896	TOTAL ASSETS	594,122,684	481,577,896



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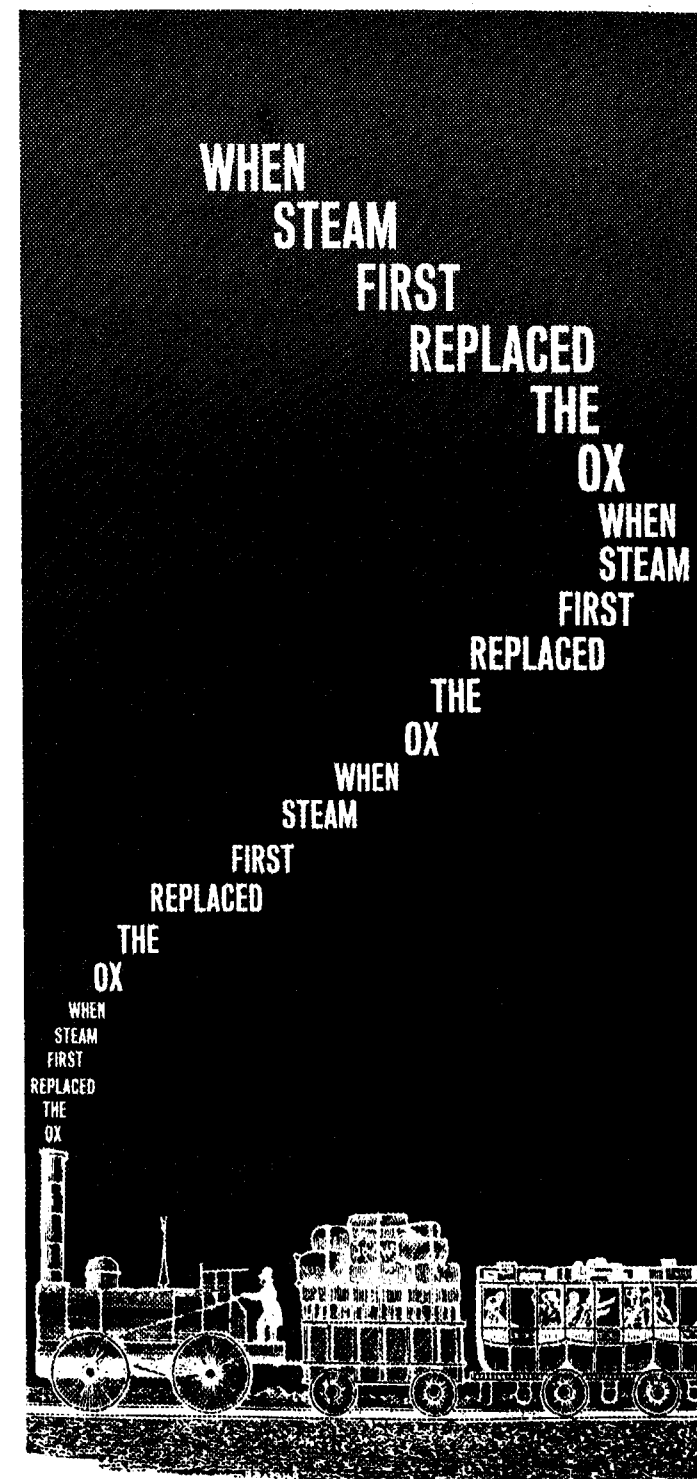


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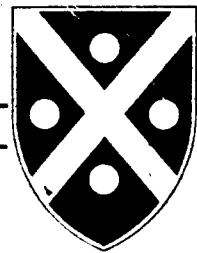


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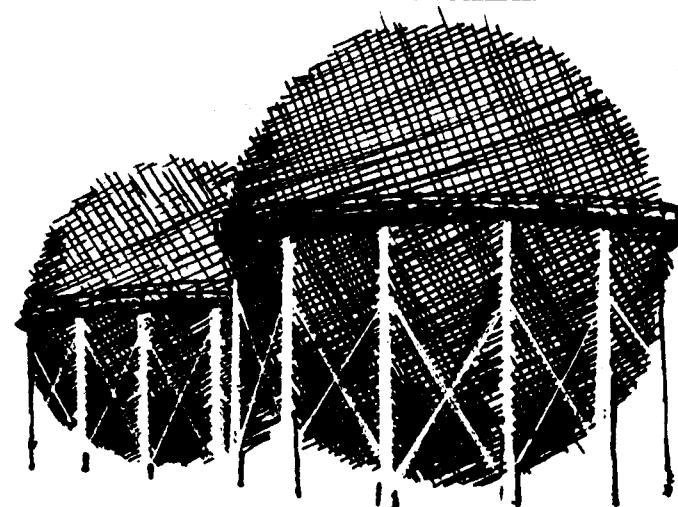
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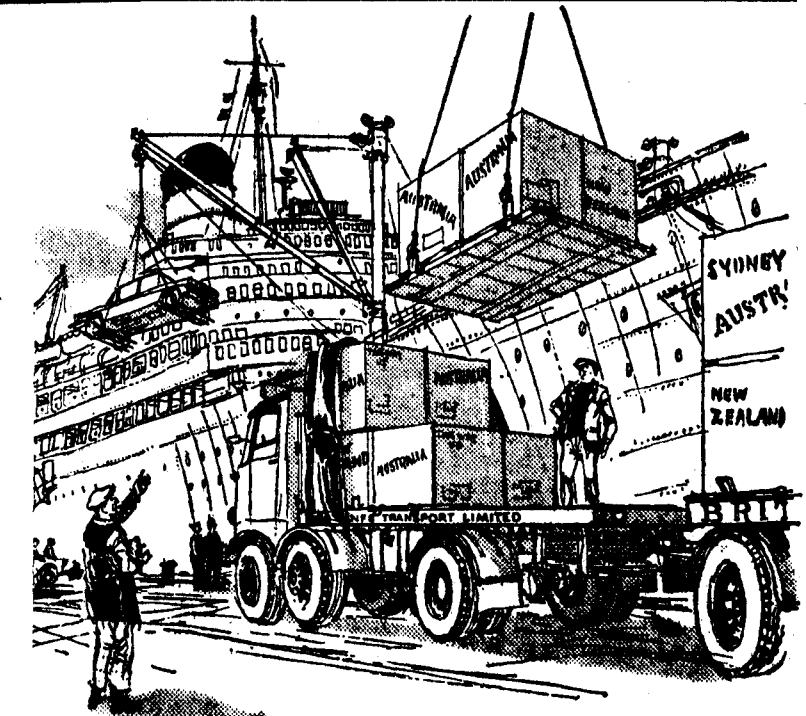
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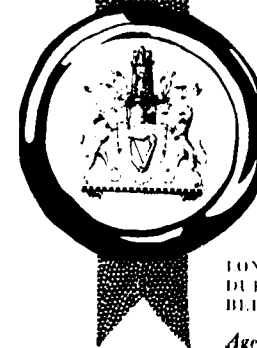
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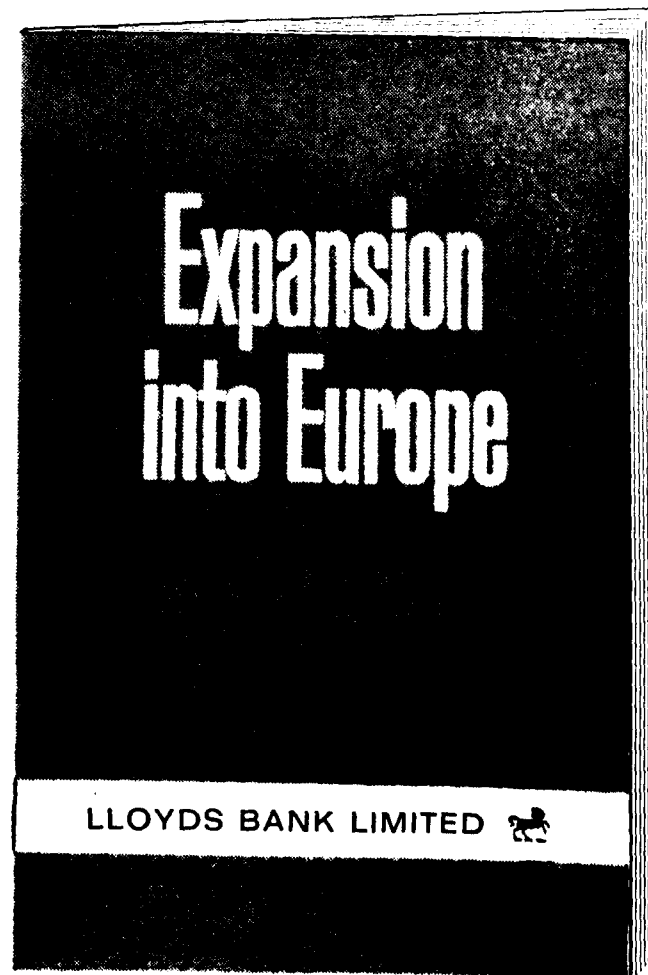
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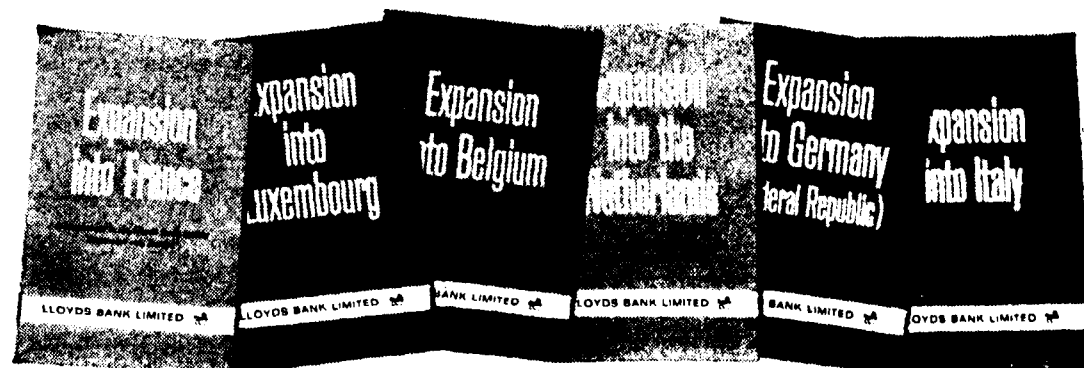
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Banks as well as other businesses are having to adjust themselves to harder and more competitive times. Their deposits are no longer swollen automatically by inflation and by neglected bond markets; their loans are no longer so unquestionably secure. And if direct competition between commercial banks themselves is still kept within gentlemanly limits, competition from other financial institutions is constantly growing. Meanwhile the techniques of everyday banking are being revolutionised by the electronic computer. Across the world, bankers are having to find the answers to old headaches and new challenges. How are they coping?

British Banks' Second Wind

FOR the second time since the war British bankers are in sole charge of their tills; they are again free to lend as they wish. How are they going to use this freedom? Their previous period of freedom ended, admittedly, in fresh restraint and regressive control through special deposits and, in mid-1961, renewed official requests. There are some bankers today who argue that this experience gives warning against any new excess of zeal, lest forceful lending policies merely hasten the return of official control. It is a caution to be resisted. The commercial banks have continued to lose a good deal of ground to their rivals—the merchant banks, the foreign banks in London, the finance houses and the trustee savings banks—and they must use all the opportunities they have to get it back. As for the monetary authorities, it has long been clear that they have an interest of their own in not whittling down the one section of the credit market over which they exert a real control.

Individually, Britain's commercial bankers are far from complacent. In the first period of freedom after 1958 they transformed the popular impression of banking by expanding their lending at an extraordinary rate; and they enjoyed the experience. But this time there are much smaller opportunities to increase lending. In mid-1958 advances of the eleven London clearing banks were 30 per cent of gross deposits while investments were 33 per cent. Three years later advances were 48.8 per cent of deposits and investments only 13.9 per cent. In money terms advances of the clearing banks rose by 75 per cent over that period; but deposits rose by only 10 per cent. The experience of the five Scottish banks was much the same. In the past twelve months the banks have to a small extent rebuilt their investment portfolios, and they are now 17.1 per cent of deposits, but the scope for switching investments into advances in the big way that allowed the banks to duck the problem of finding new deposits in 1958 is now passed.

In 1958 the pent-up demand for advances was enormous; this time some bankers wonder if they will be able to lend new resources, should they manage to get them. They are probably being too pessimistic. Certainly the opportunities will not be so great as in 1958, but in the banking period to mid-October, covering the first two weeks of freedom, net advances of the clearing banks rose by £44 million, and since then the Chancellor of the Exchequer has announced a second round of his reflationary measures, which by quickening expansion in industry will presumably call forth a good deal of extra demand for bank finance.

Nor should the banks have undue difficulty in finding the necessary resources to meet any immediate demand for advances arising from Mr Maudling's stimulants. The switching of recently acquired gilt-edged securities into advances could produce around £200 million, without taking the ratio of advances to deposits beyond the high-point of 49 per cent reached in mid-1961. There is still £75 million in special deposits, which Mr Maudling has expressed himself prepared to release if necessary. And the Government's intention of reopening the Public Works Loan Board to local

authority borrowing, together with the big rise now scheduled for public investment, of no less than 10 per cent in 1963-64, could mean a substantial increase in the Treasury bill issue and in the banks' credit base. For the time being, the necessary resources for increased lending may be available. But if the banks wish to safeguard their growth in the long run, they must give continued thought to new ways of increasing their deposits.

Deposits—An American Example

MANY British bankers still argue that there is nothing to be gained from competing for deposits; that deposits are fixed by the base of cash and liquid assets made available by the Government, and that competition among the banks would merely result in their paying more for the same fixed pool of deposits. The limitation of this argument is that the banks themselves can influence the share of the available liquid assets that get into their hands. So long as the public continues to buy Treasury bills, tax reserve certificates, gilt-edged securities, and to invest in national savings, the Government's residual financing needs, and therefore the Treasury bills and call money that form the banks' credit base, will be reduced. There are, in other words, leaks in the pool of liquid assets potentially available to the banks; and to stop or diminish the leaks the banks must, at carefully selected points, make their deposit rates competitive with the Government's own interest rates.

The banks pay 2 per cent below Bank rate for their deposit accounts. At present the banks' rate of 2½ per cent for this money at seven days' notice compares with a rate of just over 3½ per cent on Treasury bills, 4 per cent on seven day money with a local authority, and between 4½ and 5 per cent on deposits in the special investment departments of the trustee savings banks. The banks' fear that if they attempt to compete with these rates they will be forced into the very costly exercise of paying higher rates for all of their deposits. Indeed the American banks, which now pay 4 per cent for term deposits of over twelve months have encountered just this problem in the past year; and a correspondent reports in the following article that to balance the outlay on these deposits the banks have had to make higher yielding, but riskier, loans.

However, American banks have also found a more acceptable expedient, which avoids paying high rates right across the board. They have, in effect, created their own money market paper. American banks now issue Certificates of Deposit maturing in three months and immediately negotiable. There is a flourishing market in these certificates in New York, and by competing with Treasury bills they offer corporation treasurers alternative employment for surplus balances. British banks might well consider following this lead.

Another way in which the banks can increase their deposits, though not necessarily a cheaper one, is by spreading the banking habit. Much has already been done in this direction—the credit

transfer system is now working at full steam—but some banks still have doubts about the merits of any major efforts to attract the wage-earner's business. The costs involved are enormous—from reconstruction and extension of existing branches, from additions to suburban branches, and above all from extending hours of opening.

So far the Midland Bank has led the way in the drive for retail banking with personal loans and personal cheque books; the other clearing banks have often preferred to attract new custom for their existing services through persuasive advertising and, on occasions, lower charges. The Midland has also been thrustful in physical expansion. In 1961 it opened sixty new branches, and since then branches have been opening at the rate of one a week. The Midland feels that these moves have paid off. Personal loans have not been free of bad debts, but this has not approached the hire purchase experience, and has still been easily absorbed by the additional profit margin on this type of loan. Other banks are more sceptical about the merits of these moves. Barclays, the largest of the banks and the Midland's particular rival, has not chased these customers with the same vigour. Yet in the years from 1958 to the end of 1961 its deposits grew at twice the rate of the Midland's. And since then the Midland's deposits have barely changed, while Barclays' have continued to rise.

Anything that can be set off against the expense of attempting to attract new customers is obviously welcome. The banks can work in two directions. The installation of electronic equipment to handle the increasing flow of paper work is now well under way. In the short run it may well prove expensive; but over the long run it should reduce costs. At the same time, while the banks are opening new branches they are perhaps not defraying the cost of this operation by developing the potential of their existing branch sites as fully as they might. Banks cannot be expected to know much about property development; that is all the more reason for them to form links with specialised companies that do.

BUT perhaps the best way of meeting additional costs is to refashion lending policies. Profitability will suffer if expensive deposits are not used to their full advantage. The banks have already gone some way in this direction; they took on medium term loans for export finance as a concession at a flat rate of 5½

per cent—a rate which does not look so low now that other rates have fallen—and term loans to farmers at 2 per cent over Bank rate are now fairly common. But other lending rates are still too rigid. Rates on advances, by agreement among the banks, are fixed at between ½ to 1½ per cent over Bank rate, and only a few very large firms get the lower rate.

So there is a multitude of credit risks squeezed within a ½ per cent rate margin. In the past banks have argued that a borrower is either a good risk or he is not, and that there are no shades between the two. Those borrowers who just manage to squeeze past the gates therefore get their credit very cheap, while the borrower who is just shut out has to leap the gap between the banks' relatively low rates and the rates of other financial institutions like hire purchase finance companies. The banks ought to take advantage of this gap by extending the spread of their rates to accommodate various shades of risks, rather than charge a rate fixed beforehand by the bankers in committee.

This failure of the banks to compete in the field of price often leads to widespread criticism. The banks agree on all their rates; what competition there is appears on the fringe, in the services they offer, the branches they build, and in the booklets they put out. In August two of the big seven clearing banks, the National Provincial and the District Bank, announced that they intended to merge, and the question was immediately raised whether this meant more or less competition. The bankers argued that mergers in industry had brought new difficulties for medium sized banks. Thus the District Bank had 10 per cent of its loans outstanding with one customer. The public's reaction is to assume that the fewer the banks the less is the competition—and the more this impression grows, the bigger will be the pressure for outside control.

In Britain the bankers' biggest problem is, perhaps, themselves in committee. Individually most of the bankers have come to realise the problems that their banks face: deposits that are declining in relation to national income, the loss of business to rival institutions, the need to overhaul both borrowing and lending rates, and the need to open the banks to a new group of customers. But unfortunately none of them is often willing to make a first, isolated move in tackling these problems; with rare but blissful exceptions, everything must first be agreed collectively.

America: Commercial Banks Fight Back

FROM A NEW YORK CORRESPONDENT

AMERICAN commercial bankers have in the past year made a major effort to check and reverse the encroachments made on their preserve by other financial institutions in the post-war years as a whole. The fight has so far been successful, but costly. For the task is a big one. The banking structure in the United States in the years since the second world war has increased still further in diversity. Indeed, the wonder is that the American people somehow manage to keep all the different competing institutions sorted out.

Deposits are accepted in the United States by four different kinds of institution—commercial banks, savings and loan associations, savings banks, and credit unions. They are all a repository for savings, but from that point on the differences begin to outweigh the similarities. The institutions other than commercial banks each have their own speciality—and these have all seen in great demand in the sharp expansion of the country's post-war economy. The 6,400 savings and loan associations, for example, invest chiefly in home mortgages and have played a major role in financing the growth of home ownership in the United States.

Similarly, the 512 mutual savings banks, located in 18 states chiefly in the north east of the country, invest principally in mortgages as well as high-grade corporate and government securities. By contrast, the nation's 21,000 credit unions, found for the most part in company plants and offices, mainly supply short-term consumer loans to members.

Beside these "speciality shops" of finance, the commercial banks serve as financial "department stores." The 14,000 commercial banks in the United States provide practically all the services of specialised institutions, together with their basic banking service to trade and industry and their unique facilities for "demand" or checking deposits.

Yet, the commercial banks, despite their versatility and their long lead, have lost considerable ground in the postwar years to competing institutions. The story of banking in the United States today necessarily centres on the reawakening of this sleepy giant to the realities of the modern age. From 1945 through 1961, as can be seen on the chart, the total checking and savings deposits in United States commercial banks increased by 65 per cent to

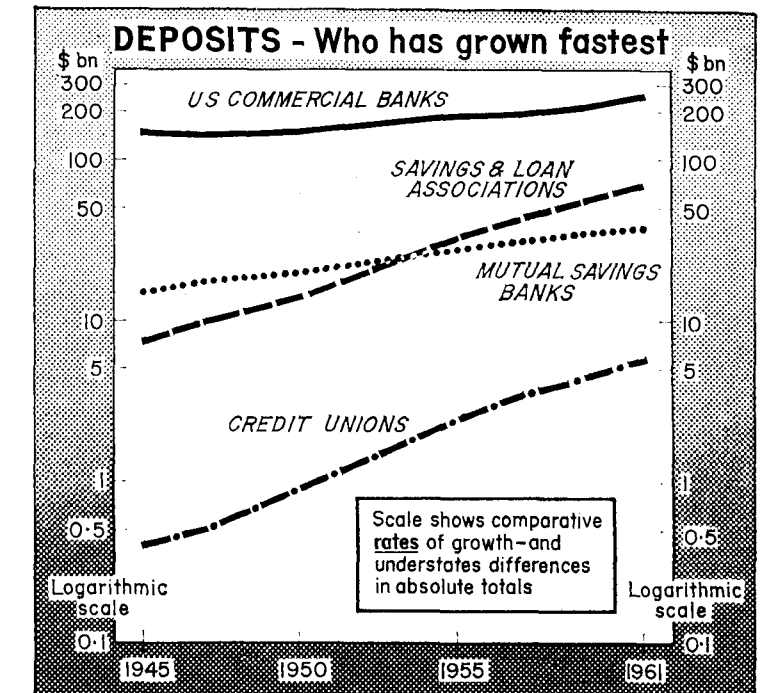
nearly \$250 billion. But in the same period, savings in mutual savings banks rose by 150 per cent to about \$40 billion, while those in savings and loan associations jumped by no less than 860 per cent to about \$71 billion. Credit unions showed the most spectacular rise of all, by more than 13 fold \$5.7 billion.

There are any number of reasons, to be sure, to explain the sharply disparate growth rates of deposit-type financial institutions, but essentially they boil down to two main considerations—differences in Federal and State laws and regulations governing the various institutions, and differences in attitude of the governed. Significantly, savings and loan associations and credit unions, which have shown the most marked gains, are subject to less onerous regulatory restrictions than commercial banks. Savings and loan concerns, for example, have considerable leeway in determining rates of return paid to savers, while the savings interest rates paid by commercial banks are closely controlled by Federal and State banking authorities. But an important influence, too, is that because savings and loan associations and credit unions have developed largely since the war, their operators have tended to be conspicuously less hidebound than commercial bankers in competing for business.

Thus, the savings and loan industry through high-powered nationwide programmes of ingenious advertising and friendly contemporary styled banking houses has succeeded in projecting a sympathetic picture to the public at large. Most big-city banks in recent years have been adopting similar techniques. But despite a growing proliferation of breezy bank ads, of modernistic banking offices and imaginative promotions, the stereotype of the commercial banker as a glassy-eyed "stuffed shirt" persists, often justifiably so, over most of the land.

AT the same time that the commercial banks' share of the "retail" banking market has been pared by the heightened activities of rival lenders (including a burgeoning personal loan industry), still other forces have been cutting into the "wholesale" services which banks provide for their big corporate customers. One of the strong conventions of commercial banking in the United States is that business borrowers must leave on deposit in non-interest-bearing checking accounts an amount equal to about 20 per cent of a loan. Banks, of course, look to these deposits as part of their raw material on the basis of which they can make more interest-earning loans. While many corporate customers in years gone by were satisfied to maintain deposits well over the required 20 per cent compensatory balance, the present era of quickening financial sophistication finds most corporate treasurers severely limiting non-productive checking balances; they invest any excess amount in short-term Treasury bills and in other money-market paper, currently yielding about 3 per cent—although the banks' new certificates of deposit have to some extent countered this trend.

The massive shifts of deposits from commercial banking coffers



into thrift institutions, credit unions and the money market have not made life any easier for the money managers of the Federal Reserve System. The Federal Reserve regulates the amount of credit in the economy through the commercial banks. This continuing discrimination, implicit in subjecting commercial banks alone to official control, is regarded as having been a key factor behind the decision of Federal regulatory authorities late last year to help counteract the trend by permitting commercial banks to pay higher interest rates on savings and time deposits. From the beginning of this year, the Federal ceiling on such rates was boosted from a former flat 3 per cent limit to 3½ per cent on all savings-type deposits and to 4 per cent on those left undisturbed for at least a year.

Competitive Deposits—Riskier Loans?

MOST large banks promptly raised their interest payments under the new ceilings, with quick but not unexpected results. In the first ten months of 1962, savings-type deposits in 356 weekly reporting Federal Reserve member banks located in 106 cities jumped by a remarkable 18 per cent. Savings and loan associations, which usually pay more for savings than commercial banks, also increased their rates, but generally not as much as the banks; as a result, savings in these associations so far this year have increased only by about 8 per cent. The commercial banks pushed up their rates at a time when it was widely expected that the then expanding economic activity would justify a further increase in interest charges for loans, thus helping to defray the higher costs of savings deposits. These expectations proved too optimistic, with the result that the rapid build-up of these savings accounts has added heavily to costs, and has squeezed bank profits.

Thus burdened, banks have been pressing to put the money profitably to work in a variety of ways. Many larger banks for the first time are engaged in a full-scale programme of residential mortgage lending; these banks have hitherto limited their real estate financing mainly to temporary construction loans which could be readily repaid out of the proceeds of a permanent mortgage, usually taken by an insurance company. Bankers are also striving increasingly to channel costly savings into instalment consumer loans, which because of their rapid turnover, earn banks a handsome return of from 9 to 15 per cent a year. The scope for such lending has however been restricted, because Americans this year have been

AMERICAN BANKS AND BRANCHES, 1951-1961*

Year	Total at year end	BANKS				BRANCHES	
		New banks opened	Ab-sorbed	Suspensions & liquidations	Net change	Total at year end	Net change
1951	14,661	63	79	17	- 32	5,494	+ 336
1952	14,617	69	99	17	- 44	5,833	+ 339
1953	14,552	65	115	16	- 65	6,227	+ 394
1954	14,409	72	207	10	-143	6,751	+ 524
1955	14,284	116	231	10	-125	7,391	+ 640
1956	14,208	119	189	10	- 76	8,106	+ 715
1957	14,130	87	161	6	- 78	8,777	+ 671
1958	14,060	96	152	14	- 70	9,493	+ 716
1959	14,004	115	169	4	- 56	10,238	+ 745
1960	13,999	125	132	5	- 5	11,106	+ 868
1961	13,959	114	138	6	- 40	12,043	+ 937

loathe to add appreciably to instalment debt. As a result, banks have been obliged to put considerable savings sums into lower-yielding investments, largely securities of Federal, state and local governments.

Various stratagems are being used by American banks to bolster loans to businesses. Some business credits are being granted for unusually long terms, up to ten years; in some instances bankers are making frankly speculative loans, such as financing the acquisition of a company even though the client borrowing for this purpose cannot honestly predict just how he intends to pay back the loan. Though the sharp rise in the cost of deposits this year has without a doubt pushed banks into bolder, and sometimes riskier, loans and investments, American bankers are not inexperienced at developing loan schemes aimed at soaking up surplus money. During the 1957-58 recession in the US economy, for instance, a number of banks offered what were then revolutionary kinds of consumer lending plans calculated to increase individuals' borrowing.

The programmes are of two principal types—check credit and credit cards. With check credit, a consumer arranges a "line of credit"—a maximum amount he can borrow. He then borrows the money as he needs it, simply by writing checks and making periodic repayments. When a bank issues a consumer a credit card, the consumer can charge his purchases at a number of stores and receive a single bill from the bank. Though some banks in the past year or so have discontinued credit cards as unprofitable, still "jazzier" consumer credit plans—including a variety of programmes providing for long-term financing of children's college educations—have become a stock in trade of US banks.

Inventing new packaged loan services is only one method used by banks to boost business and profits. Since the early fifties, as the population in the United States has shifted increasingly from the cities into the suburbs, many banks have mounted a more direct assault on the objective by increasing the number of banking outlets. The pattern of branch banking operations differs in various states. In California, for example, where statewide banking is permitted by law, the Bank of America, which with deposits of over \$11 billion is the largest in the world, operates more than 700 branches. At the other extreme, Chicago's giant First National Bank and Continental Illinois National Bank & Trust Co. each have only a single location; Illinois is one of five US states that flatly bar any bank branches. Some twenty-five states permit branching on a limited scale and twenty allow it state-wide.

In the face of such limitations, commercial banking over the past decade has still added substantially to its physical plant. This has been done principally through the opening of new branches and to a lesser extent through the acquisition of existing banks which are then converted into branches. Much less frequently, banking has been expanded through the establishment of new banks. As noted in the accompanying table, from 1955 to 1961 the number of banks had declined by 2 per cent to 13,959, but the number of branches was up a thumping 60 per cent to 12,043.

THE ECONOMIST NOVEMBER 24, 1962

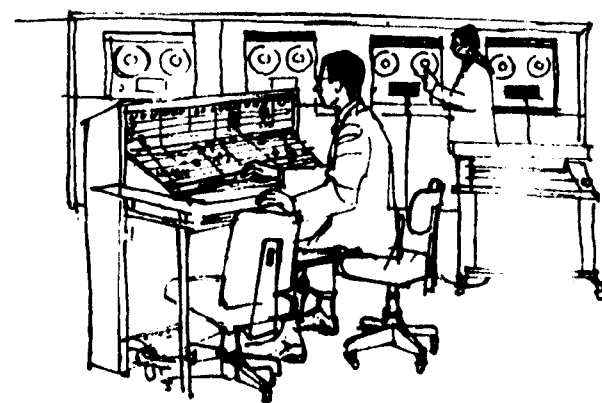
Another influence behind banking's expansion drive is the accelerating growth of automation, bringing an attendant rise in initial operating costs which can best be tempered through a greater volume of operations. The installation of costly electronic devices picked up momentum among American banks in 1960 after the banking, office equipment and printing industries settled on a standardised method of encoding checks and other bank documents to permit them to be handled by automated gear. According to a recent industry survey, American banks this year are geared to handle more than 68 per cent of an estimated 14 billion checks via electronic processing.

Freedom to Branch?

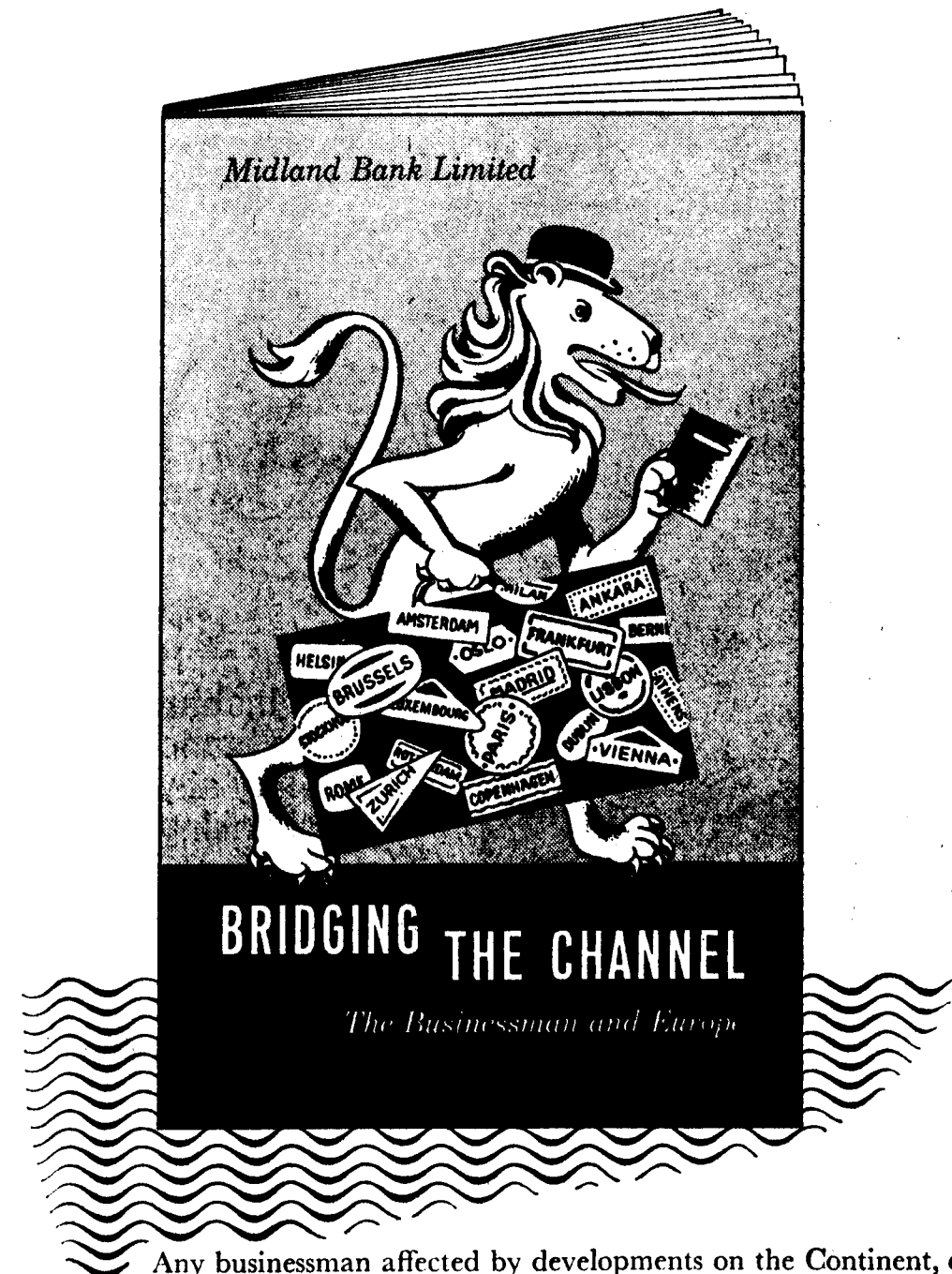
COMMERCIAL bankers in the United States, who have thus been striving through their own devices to solve some of their nettling problems, have lately been cheered by the chances of receiving a massive lift from regulatory quarters. Recently, an advisory committee of the US Comptroller of Currency, Mr James Saxon, submitted a report to President Kennedy proposing no less than 84 recommendations for modernising the US banking structure. Several proposals seek specifically to broaden banks' lending policies, such as permitting longer term mortgages, which would allow banks to compete more freely with savings and loans associations. And one key proposal has stirred considerable controversy among commercial bankers themselves: to let Federally chartered "national" banks set up branches within a 25-mile radius of their main office, even if state law forbids branch banking.

There are in the United States some 4,500 national banks supervised by the Comptroller of Currency, a Treasury official, alongside some 8,900 banks that are chartered and regulated by the various states. Under present Federal law, "national" banks must conform to the branch banking practices in the states; executives of state banks, not surprisingly, vehemently oppose any law change that would upset this balance. But even so, they welcome the bulk of the Saxon committee's proposals to liberalise national banks' practices on the ground that Federal enactment of such changes would force the legislatures of their home states to follow suit, with corresponding freedom for state-licensed institutions.

In any case, the Saxon committee's proposals will first be sifted by a high-level White House committee headed by Mr Walter Heller, chairman of the President's Council of Economic Advisers. The committee is making a broad study of what recommendations the Kennedy Administration might make to Congress for changing the rules governing financial institutions generally. It is highly problematical that the politically-loaded branching proposal will get by the Heller group. But the furore the report has raised to date has stirred so intense a reappraisal of the nation's banking system that many bankers feel that only good can come of it.



THE ECONOMIST NOVEMBER 24, 1962



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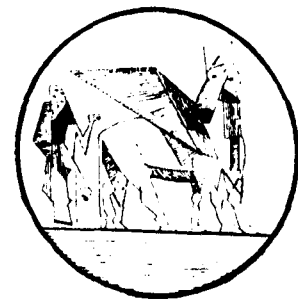
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Fiercer Competition in Germany

FROM A FRANKFURT CORRESPONDENT

GERMAN banks, like the German economy as a whole, were swept ahead at an unprecedented pace by the miracle years of the nineteen-fifties. Now they face more testing circumstances, and in some ways have already been confronted with the unfavourable back-wash of over-expansion. True, the banks have not suffered direct losses from troubles of the Schlieker and Krages type. But the more difficult business climate has put a check to automatic and easy growth. It is not surprising, therefore, to find competition becoming more acute in various branches of banking—and in particular in the attraction of bank deposits.

A symptom of this struggle exists in the differences of opinion prevailing between the commercial banks and the publicly owned savings banks on the level of interest on savings deposits. The savings banks favour higher interest rates on savings because they consider the disparity between these and interest rates on the capital market to be too great. The commercial banks, on the contrary, want interest rates on savings to retain their traditional place in the interest structure. They fear that a change would bring about a weakening of the still delicate capital market, and intensify the difficulties of finding finance for long-term industrial investment. Moreover, it is probable that higher interest rates for savings would promote a switching of time deposits at commercial banks into the higher yielding savings accounts. So far, the savings banks have been unable to strike out on their own because credit institutions in the Federal Republic are not free to fix their own interest rates. They must apply those fixed by the official banking supervisory bodies in conformity with the prevailing discount rate of the Bundesbank and the recommendations of the banking and savings banks associations. The savings banks are now trying to abolish the link between interest rates for savings and the discount rate, and to make them more flexible. Since neither the Bundesbank nor the banking supervisory body—the Federal Control Bureau for Credit Transactions—appear particularly to favour these projects for reform, they are unlikely to meet with success.

A further competitor for the commercial banks' deposits, though rather less important than the savings banks, is the state postal cheque account service. Its competition extends only to deposits payable on demand, since postal cheque offices do not accept time deposits; nor, in Germany, do they pay their clients any interest. But, despite these limitations, many more people in Germany have a postal cheque account than a bank account. This itself creates some cumulative advantages, since postal cheques are the more convenient instrument for making payments to people without commercial bank accounts—and also, indeed, to those who possess neither a bank nor a postal cheque account, or whose account is not known to the payer.

The commercial banks have indeed so many advantages to offer their depositors in other respects that they do not regard the postal cheque service as a serious rival to them. None the less the banks are making considerable efforts to attract new clients, and particularly to interest the small man in keeping a bank account. The most important move in this direction may well be the creation of so-called "salary accounts" (*Gehaltskonten*) for the employees of larger undertakings. Agreements are made with firms, usually

ALL BANKING GROUPS

DM thousands of millions

	DEPOSITS			Total	LOANS		
	Sight	Time	Savings		Short term	Medium term	Long term
End 1950	9.7	4.2	4.1	18.0	13.9	1.1	6.4
1955	17.8	10.2	21.4	49.3	29.0	5.2	37.1
1956	19.4	12.0	24.3	55.7	30.6	6.2	44.4
1957	21.8	15.6	29.4	66.8	32.3	6.7	50.8
1958	25.3	16.6	36.1	78.1	32.5	7.9	60.2
1959	28.5	18.4	44.3	91.2	35.2	10.8	71.9
1960*	31.2	19.7	53.1	104.1	41.4	12.5	84.1
1961	36.5	21.4	60.4	118.3	48.0	14.7	98.7
1962, August ..	35.6	23.1	66.0	124.7	49.7	16.5	108.6

* Including Saar from 1960 onward.

clients of the bank, to remit the wages and salaries of their employees into accounts opened for them by the bank. In this way the traditional wage packet is coming to be replaced by a credit advice note—a procedure which, in Germany, has up to now been customary only for highly placed salary earners with large incomes. Payment of salaries in this way brings considerable economies to firms, and they are therefore eager to avail themselves of it. The bank, for its part, gains contact with new sections of the population. In this way the bank account, which in Germany was regarded only a few years ago as the prerogative of the wealthy, is on the way to becoming a facility for all.

Few Defaults on Personal Loans

It is not only as a depositor that the small man's banking custom is being sought but also as a credit customer. Nearly all German banks have adopted the practice of granting unsecured personal credits to private individuals—a form of credit which was virtually unknown a few years back. Today, anyone can apply at any bank counter for personal credit of up to DM.2,000 (£178) and immediately obtain it in the form of cash, without having to do much more than state his references and income. Such credits are not tied to specific purposes and the borrowers are free to use them as they wish. Another variety of small-scale lending comprises larger amounts up to DM.6,000. Here formalities are a little more stringent, and some security may be necessary, but the procedure is still much simpler than for ordinary credits. These are earmarked for specific purposes and are intended to be used mainly in the acquisition of machinery and the like.

Up to now, the new forms of small credit have proved very successful. There have been hardly any defaults, and thanks to the simple but adequate procedure involved, this new branch of business has proved profitable. On the other hand, the commercial banks have taken hardly any part in financing hire purchase. This is carried on by special institutions, though some of these are closely related to the banks.

The banks' search for new groups of clients also finds expression in the opening up, in recent years, of numerous new branches, not only in the business centres of large cities but also and especially in purely residential areas and in small towns. This trend was set off four years ago by the annulment of a regulation which had limited permits from the competent authorities for the opening



INTERNATIONAL BANKING

of banks or branches only to cases where a "need" could be established. It is not certain that all the branches that have meantime been opened are economically justifiable. Although it is difficult to obtain reliable data, there is little doubt that many of these branches are unremunerative, and will need some time to reach a profitable state.

Staff Shortage Eases—With the Bourse

UNTIL recently the extension of the branch network exacerbated the acute shortage of banking staff. But this had other causes besides, such as the general growth in banking business, movement into other spheres of activity, and reductions in working hours. The problem has now eased a little. The technical aids adopted by a growing number of banks, including the growing use of electronic computers for book keeping and other work, are making themselves increasingly felt. Furthermore, the banks' personnel departments are more anxious now to lower costs and are accordingly devoting more attention to the efficient employment of their staff. The days when unneeded staff were taken on "in reserve", as it were, appear to be past. Finally, the decline on the stock exchange has also made some contribution to lessening the staff shortage. During the boom years many banks had made generous extensions in the staffing as well as the technical facilities of their important stock exchange departments, in the belief that an era of investment for the masses was at hand. But the new public which in those days took an active part in the stock market has now been well sobered by the decline—not least in the shares of the banks themselves. Playing the market has lost its lure. Reduced activity in securities has duly produced surplus staff in the banks' stock exchange departments, available for transfer to other sectors.

Some new banks, mostly small ones, have been founded in West Germany in recent years. So far as may be judged, they have

developed satisfactorily without encroaching noticeably on the business opportunities of existing banks. The new establishments have usually succeeded in opening up new business opportunities for themselves, partly by gaining the custom of aspiring young businesses and growing along with them, partly by inducing potential customers to join them as founders.

Insolvencies, But No Mergers

FROM time to time however there have been cases of bank insolvencies, and these have exclusively involved the smaller establishments. In such cases the other banks have usually rallied round to give financial support, so that the smaller depositors, at least, have mostly been saved from suffering too much loss. Even so, these insolvencies have given added impetus to those who favour the creation of a deposit insurance system on the American model. But the banks as a whole are opposed to such a course: they prefer, in the event of possible future insolvencies, to continue protecting the stricken depositors by *ad hoc* support.

A sign of the soundness of German banking and particularly of the prosperity of the numerous small and medium sized institutions, is the virtual absence of bank mergers. Evidently each bank is viable on its own. Nor have the German banks shown any desire for too close links with institutions in other countries. In spite of the new tasks and opportunities which the common market will provide, no moves have been made to forge closer links with foreign banks: relations are confined to relatively loose forms of co-operation in the daily course of business. So far, restraint is also being exercised in the creation of foreign agencies. But this policy may well change as the economic integration of Europe progresses. In particular, if Britain gets into the common market German bankers may no longer continue to absent themselves from London, which is universally seen as the financial centre of an economically united Europe.

French Banking Stands Its Ground

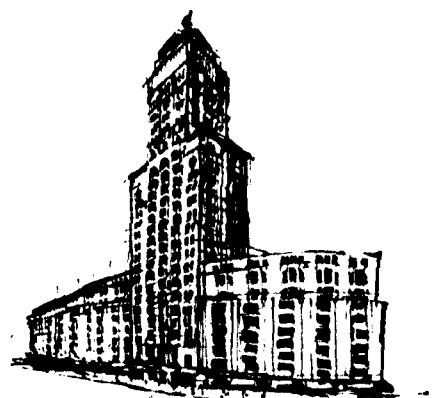
FROM A PARIS CORRESPONDENT

THREE main features distinguish recent developments in French banking—the stability of its structure in the face of the creation of the European common market; the remarkable abundance of its liquid assets, whose accumulation in turn increases the banks' own credits; and lastly, the feebleness of the efforts made to interest foreign countries in French capital, in spite of the apparent liberalism displayed by recent measures.

The first of these fundamental features is the lack of change in French banking. Whilst the European common market has caused numerous French industries to be transformed by concentration, specialisation or strangulation, the banking sector has remained aloof from the general European metamorphosis. Not only has the application of the Rome Treaty resulted in no invasion of the French market by foreign banks, but French banks have themselves continued to develop as if nothing had happened since 1959. The most they have done is to agree to take part—on the professional plane—in the formation of a European association designed to furnish a "representative body" for the discussion of banking matters with the European Commission; and to co-operate with foreign banks in (rather limited) joint studies and research, though not all have gone even so far. This is the only visible effect of the Rome Treaty.

The first reason for this lack of response is that banking was

already a very international activity before the creation of the common market. All the larger French banks had foreign correspondents with whom regular two-way contacts are maintained: these links have simply been strengthened. Secondly, the extremely dense network of bank branches—public and private—all over France virtually excludes the setting up of competing establishments. No need, then, to erect formal obstacles to the establish-



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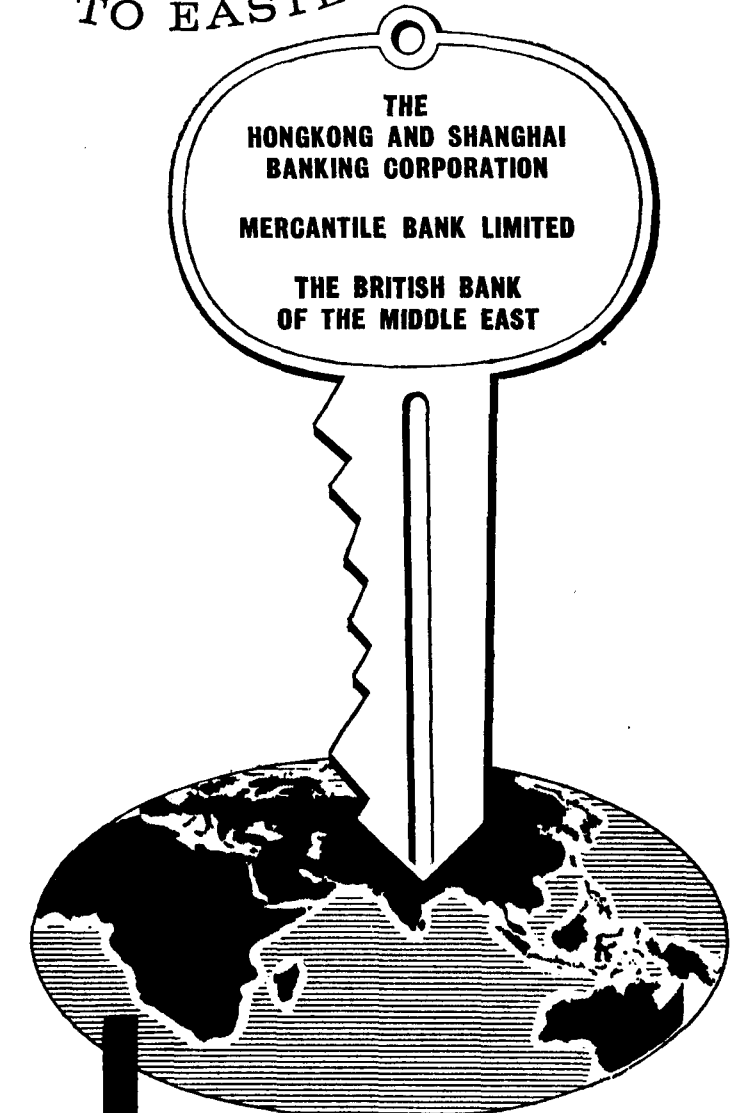
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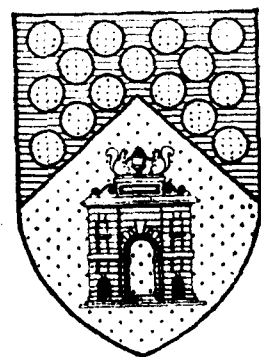
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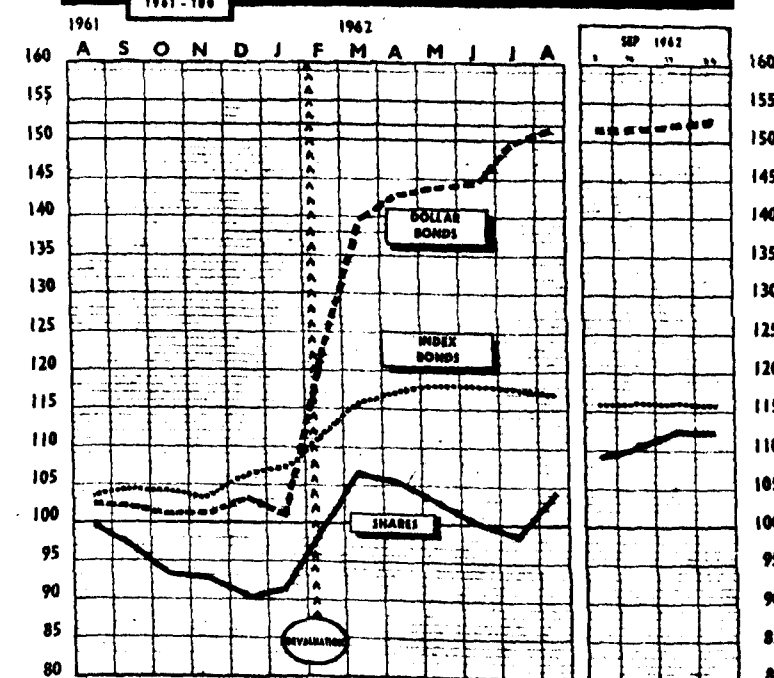
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ment of foreign banks in France: they have no intention of coming.

Discreet Competition and Concentration

NOR has the Rome Treaty upset the French banking system by outlawing the identical interest rates applied uniformly by the banks ($\frac{1}{2}$ to 1 per cent, for example, for demand deposits, 2½ per cent for one-year deposits, 3½ per cent for two-year deposits, and so forth). These are, unmistakably, infractions of the principle of competition, the Treaty's "golden rule." But the common market has not become effective here: firstly, because the agreements forbidden by article 85 of the Treaty are agreements between enterprises, whereas the French practice is the result of a public regulation of the National Credit Council; secondly, because the French authorities are convinced that Brussels will never abolish a regulation which is intended to avoid the dangers of unrestrained banking competition.

So the French banking system continues on its way as if the common market did not exist. It is not devoid of competition; it concentrates on the quality of the service rendered to clients, on the amiability and accessibility of bank clerks and of the local branch managers; on the intimacy of relations between banks and businesses; and, most recently, on a judicious use of advertising campaigns.

Certainly one must not exaggerate the harshness of competition between banks, which remains very discreet. But it does exist: the Conseil National du Credit has revealed that within fifteen years, 30 per cent of French and foreign banks in France had disappeared as separate entities, three-quarters of them through mergers with larger banks. During the same period, furthermore, about forty banks which have remained juridically autonomous have come under the control of more powerful establishments. This process of concentration is continuing, but discreetly.

The State's Dual Role

IT is estimated that at present the four big nationalised banks and the two largest private deposit banks between them receive about 75 per cent of French demand deposits. But it must be added that these demand deposits are only just over half the size of the deposits received by public or publicly controlled bodies (savings banks, post office savings banks, together with privately subscribed short-term Treasury bills). This demonstrates how great a part of the French banking system is already concentrated in the hands of public authority.

The public sector intervenes not only in the accumulation of funds. It is also vigorously active—and this is the second characteristic feature of French banking in recent years—in the utilisation of these funds. The large surplus in the French balance of payments, constant over the last three years, has given rise to a

considerable abundance of liquidity. This has been swollen first by the rise in the living standards of Frenchmen—particularly of the well-to-do, who are the big users of the commercial banks; and secondly by repatriation of overseas investments, particularly from Algeria and Morocco.

How is it that this abundance of capital has not set off the monetary inflation which had previously beset France? The reasons are linked to the evolution of the French banking system. At the beginning of 1961, the state introduced a reserve coefficient which makes it obligatory for banks to maintain a constant proportion between certain of their liquid assets (cash in hand, accounts with the Post Office or at the Bank of France, Treasury bills, medium term bills of exchange) and their deposits. This reserve requirement is variable; at the moment it stands at 32 per cent.

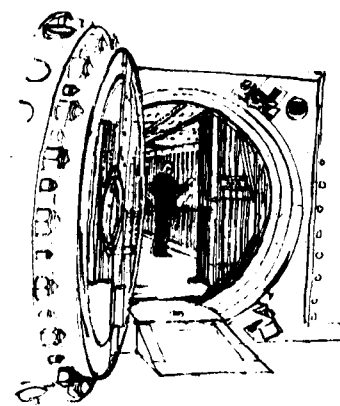
This arrangement, coupled with the lowering of the minimum ratio (*plancher*) of Treasury bills which banks are obliged to hold, has had a double effect. On the one hand it has obliged banks to retain in their portfolios a greater proportion of their securities, and this has "frozen" a part of their credit potential. On the other hand it has led banks, whose chances of rediscounting with the central bank have been reduced, to retain a very considerable proportion of their medium-term bills, which have replaced Treasury bills in their portfolio.

This movement is very clearly reflected in the French credit trend. In 1961, credits financed by the banks themselves increased, by 30 per cent (NF 10,000 million), whereas credits rediscounted by the Bank of France diminished by 4 per cent (590 million francs). This trend has apparently increased in momentum this year.

But while the reserve coefficient prevents banks from easily rediscounting their bills with the Bank of France, it does not hinder them from using the large deposits they receive for granting extensive credits. Over the last three years the short-term credits granted by banks have increased at the rate of 17 to 20 per cent annually, whilst the national product for its part has increased by less than 10 per cent (in nominal value).

This steep rate of credit expansion—which the monetary authorities regard with anxiety—would certainly be accelerated if the banks did not observe a certain prudence at the request of the monetary authorities. It is clear that a change has come about in this sphere. The state, by the weight of its own banking sector, as well as by the authority of its advice in credit matters, sometimes reinforced by sanctions, now strongly influences the attitude of the private banks. This influence does not, perhaps, extend as far as advocates of a more *dirigiste* credit system would wish; but the results attained are not negligible.

Finally, the attitude of the public itself has changed, and higher liquid balances are held, so that part of the additional credit is not spent. Not that there has been a change of clientèle: the savings of the working class and small shopkeepers still faithfully go to the *Caisses d'épargne* (whose interest payments are tax exempt, with a limit on permitted deposits) and the post office savings accounts, while large savings and business funds go to the banks; to the extent that current liquid assets are mainly the result of foreign business transactions and of repatriated capital, it is mainly the banks that benefit. But the public as a whole has become accustomed to a higher proportion of liquidity; this is a proof of confidence in the stability of the franc. The rise in the standard of living also encourages this trend: people must maintain greater cash reserves in order to cope with increased expenses. The state has indeed tried to direct these liquid reserves to a twofold use: towards long-term investments and, secondly, on the financial market, to the acquisition of ordinary shares rather than of debentures. But up to now this objective has been attained with only partial success.



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In spite of state action to reduce, by stages, the interest rates on short-term deposits (reductions of $\frac{1}{2}$ to 1 per cent have been made on Treasury bills, and of $\frac{1}{4}$ to $\frac{1}{2}$ per cent on bank and savings bank deposits) in order to make long-term investments more attractive, without raising the interest on them, has not set off so large a move as was hoped. For mainly fiscal reasons the public continues to avoid such investments. Undoubtedly it would be necessary to increase still further the difference between short-term and long-term rates in order to change the public's attitude.

The state's second measure has had more success: increases in capital by companies are becoming more frequent—this being one of the objectives of the Fourth Plan. But many companies still hesitate to increase their capital, either for fear of losing majority control of their equity or because they consider the present fiscal charges for share issues too burdensome.

THE lack of interest in external financial relations is less worrying to the French authorities. Undeniably an effort has been made lately to facilitate these relations. Not only have the banks, on their own account, intensified their links with their foreign correspondents and increased the number of business transactions carried out jointly (with foreign banks in France, or in their own countries); but the public regulations have been modified in order to facilitate transactions in both directions on the financial market.

Numerous foreign securities—American, German, Dutch and others—have come into the Paris Bourse; contact has been made with foreign firms seeking capital on the French market. But up to now these efforts have not had any important results. In the

first place, the French public has for decades been unaccustomed to foreign securities; meanwhile it has become acquainted with the outstanding French stocks and has more confidence in them since the franc has reacquired its international prestige. Secondly, French legislation, while not discriminating against foreign borrowers, who are subject to the same regulations as French borrowers, nevertheless maintains a high level of financial charges which appears to discourage foreign borrowers, who can find their capital more economically in Holland, Switzerland or even Germany. This apparent liberalism, therefore, disguises the real intention, which is to avoid making access to the French capital market too easy for foreigners.

Conversely, the acquisition by Frenchmen of foreign securities and capital has received more encouragement. French residents can borrow abroad, without preliminary authorisation, up to 200 million new francs, on the condition that these loans do not exceed five years and that interest rates are not higher than 5 per cent. Furthermore, loan authorisations are granted for transactions on a larger scale: the company constructing the southern European pipeline, for example, has been able to borrow large sums in several European countries and in the United States.

The acquisition of foreign securities abroad has been facilitated by the abolition of the *devise-titre*, equivalent to investment dollars in Britain. This now enables Frenchmen freely to acquire foreign securities without any difficulty in obtaining the currency necessary for their purchase. But, at a time when the financial prestige of France is as high as that of foreign countries, this relaxation has not brought about any rush for foreign securities by French buyers.

New Freedom in Australia?

FROM A MELBOURNE CORRESPONDENT

THE past year has been perhaps the most eventful for Australian banks since the attempt to nationalise them was finally defeated some twelve years ago. The banks have made more notable progress in diversifying their business into new fields; they have introduced a five-day week and a new basis of charges for services rendered; and important changes have been made in official credit policy. All this has occurred against a background of a rapidly recovering economy and continued branch expansion which probably maintains Australia's claim to be among the most overbanked countries in the world. Thus eleven million Australians are serviced by some 4,500 branches of fifteen trading banks and thirteen savings banks.

The highlight of recent events was the comprehensive policy statement announced by the Federal Treasurer in mid-April. In the heat of the moment, this statement was acclaimed as a major set of new freedoms for the banks, which were formally acknowledged to have the right to participate in the growth of the economy and to compete more evenly in the financial sector. Some of this enthusiasm may now have waned following an apparent difference of opinion about credit policy, and a marked hesitancy in the active use of interest rates.

The new government policy covered three main fields. Some minor changes in overdraft and deposit rates of interest were included but a more significant departure was that the government pronounced its intention to vary the maximum overdraft rate when general changes in interest rates were required. Slow progress is thus being made towards some form of Bank rate, on the English model, which would clearly signify variations in monetary policy. Another related change was the rationalisation of the Treasury bill

market; the old Treasury bills and seasonal Treasury notes were merged into Treasury notes, which carry market rates of interest and are freely available to the banks and the public. Finally, the measures included a scheme for term loans and alterations to minimum liquidity ratios.

The new interest rate policy was wholly consistent with the general tendency of recent years as the government has slowly begun to use interest rates in a way that helps rather than hinders other monetary and fiscal policies. This should be seen in perspective; interest rates are not, and do not seem likely to be, a major weapon of policy in Australia. There are, however, some situations where they can be of marginal importance in smoothing out fluctuations and channelling resources in the desired way.

Trading Banks Fight Back

THERE has since been evidence of a decided reluctance to alter bank interest rates and government bond rates on new issues. Admittedly the Reserve Bank has altered the interest rate and maximum term of fixed deposits accepted by the banks no less than three times in less than six months but those were minor moves with the prevailing tide rather than policy moves. The Australian banks before the second world war made extensive use of fixed deposits, which were competitive and accounted for large proportions of total deposits. However, rigid controls over these rates and conditions reduced the proportion of deposits bearing interest to only 19 per cent of total deposits in 1953 and also allowed all kinds of other financial institutions to attract funds by offering more acceptable interest rates and terms. At the end of 1960 approval was

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given to a much higher rate of interest on the banks' term deposits and the response was a rise of some 60 per cent in such deposits in only two years. In September this year, deposits bearing interest accounted for 37 per cent of total deposits.

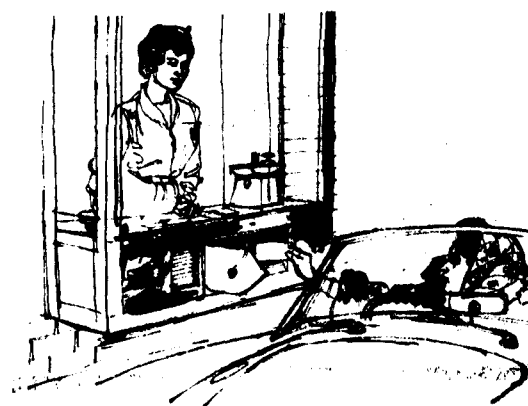
There has also been a notable increase in savings bank deposits. These are currently running at nearly £A170 per head; indeed there are nine operative savings accounts for every ten persons in Australia. Before 1956, the savings bank field was the preserve of the Commonwealth Bank, in conjunction with the post office, and of state institutions in the three southern states. In that year however three of the major banks entered the savings bank field with wholly owned subsidiaries and, using modern aggressive methods and extensive promotion campaigns, gained deposits totalling £A291 million in only five years. This represented nearly 19 per cent of total savings deposits. In the last year the four remaining major banks have formed savings subsidiaries, thus materially increasing the competition and, at the same time, raising several interesting policy questions.

These policy questions arise because savings and trading banks operate under separate licences with markedly different patterns of investment laid down by the government. To the public, however, there is little, if any, distinction between the two organisations. A customer can have both a cheque account and a savings account at the same branch and can avail himself freely of all the ancillary services. It is easy to make transfers between different types of accounts—savings, cheque or even term deposits, which makes the relative interest rates an important influence and materially heightens the direct competition between rates paid on savings and term deposits.

Some bankers are now asking whether it is any longer meaningful to differentiate between deposits accepted by savings or trading banks. In other words, is there any point in maintaining the fiction of savings funds being more stable (and thus available for investment in medium-long term fields) especially when deposits can be so easily interchanged? And is the difference important enough to maintain the practice of forcing savings funds into government bonds (accounting for 70 per cent) and into the socially important long-term housing loans, while keeping trading bank loans essentially in short term fluctuating forms?

From HP to Unit Trusts

THIS widespread entry of the trading banks into savings banking is not their only move towards greater diversification and thus greater competition with fringe organisations. Diversification has been carried a long way, and well established facilities include travel departments, hire purchase connections, registrar and nominee departments, unit trust services (including management) and investments in various investment banks and short-term money market dealers. Recent moves have included firstly, a more direct part



in the management of hire purchase subsidiaries by at least two of the banks following unsatisfactory profit results; secondly, the taking of an equity interest in factoring companies by two banks; and, finally, a new term loan scheme applying to all the large banks.

The term loan proposal is a fairly radical departure from lending policies as dictated by the central bank. In the past, medium and long-term credit was provided by a variety of institutions including the banks; but, as central bank policy increasingly forced the banks out of this field, a range of investment banks and a government development bank arose to fill the growing needs in this sector. Now a special scheme has been established which involves the banks placing some £A55 million in a special account at the central bank to be drawn on as loans are made. The loans are granted in the main for periods of three to eight years and cover needs of primary and secondary producers as well as exporters.

Second Thoughts on Special Deposits

THE introduction of term loans was accompanied by a change in minimum liquidity ratios. Australia has the rather dubious honour of being the pioneer of special deposits. So it is interesting to note that Australia is moving away from this system at a time when European countries are experimenting with it. However sophisticated the Australian system may now appear, in practice it has certain anomalies. It may be conveniently divided into at least three different parts. The basis is a statutory reserve deposit system supposedly varied only in accordance with basic changes in credit policy as distinct from day to day seasonal changes. This ratio is currently 11.5 per cent and such deposits earn only 1.5 per cent. Then comes the working ratio of cash, Treasury notes and government securities—the so-called LGS ratio. The banks have voluntarily agreed not to let this ratio fall below 18 per cent, and the margin above this minimum fluctuates both seasonally and secularly. Changes in this ratio are most infrequent and, so far, have been only upward. It is significant to note, however, that there are important liquid assets rather illogically excluded from the LGS ratio, viz money at call on the short-term money market and unused term loan funds (which become LGS assets as soon as they are drawn upon). In contrast with English practice, government bonds are included as liquid items in Australia.

As part of the official deflation measures of 1961, the banks were exhorted to expand advances and, despite the fact that overdraft limits grew considerably, actual overdrafts increased fairly slowly. There was thus an increasing unused margin of limits which could, under some circumstances, strain liquidity if they were utilised. However by the second half of 1962 recovery was complete and the economy began to move forward at a pace which showed signs of straining resources. One example of this strain was the large rise in imports in the second and third quarters of 1962; another was a tightening of liquidity in the banking system.

It came as a shock to some bankers when the central bank announced at the end of October that it was increasing the statutory reserve deposit ratio by one per cent, and stressed at the same time that this did not signal a change in credit policy. It would be normal for such changes to be absorbed by the LGS margin and one can only speculate on the meaning of this confusing manoeuvre, which was promptly and publicly challenged by Australia's oldest and largest bank. If one agrees that the state of the economy demanded an early move to tighten liquidity then why not announce the move as a change in credit policy? Perhaps it can be explained as a wish to signal a change in credit well in advance without damaging the badly shaken confidence of businessmen generally. Last year's failure to reduce overdraft interest rates when the opportunity presented itself has left little room for manoeuvre in interest rate policy, at least in the upward direction.

Canadian Banks Feel the Pinch

FROM A TORONTO CORRESPONDENT

CANADA has eight chartered banks with five thousand branches scattered across a vast continent. Geography is their natural enemy; but a 6 per cent ceiling on lending rates is their particular problem. They hope that a growing population will help counter the first and that next year's report of the Royal Commission on Banking and Finance will be the beginning of the end of the second.

This ceiling on lending rates was originally set at 7 per cent, but was reduced to 6 per cent in the 1944 revision of the Bank Act at a time when there was widespread concern about the possibilities of a serious deflation after the war. Up to the mid-1950s the 6 per cent ceiling had little practical impact on the banks, since interest rates generally were well below this level. In the late 1950s, however, Canadian interest rates rose sharply, and in August, 1959, the rate on three-months Treasury bills climbed above 6 per cent, creating a situation in which it was theoretically possible to borrow from the banks at 6 per cent, invest in short-term government securities and make a profit. Although the bill rate did not remain at the 6 per cent level for long, interest rates in general have remained high enough in the past few years to keep up the demand for bank credit at rates between 5½ and 6 per cent. In 1962 the prime lending rate of the banks was raised to the 6 per cent limit for the first time, leaving them no margin to differentiate between the risks and costs of different loans.

Not Allowed to Compete

THE rise in interest rates in the mid-1950s seriously restricted the competitive position of the banks in relation to more specialised financial institutions. Previously eclipsed by the enormous financial strength of the chartered banks, these now began to grow rapidly. Unencumbered by the regulations of the Bank Act, these financial intermediaries have been able to lend and therefore to remunerate depositors, at rates significantly above those of the banks. So the banks have been losing business and deposits to a number of institutions—credit unions (a kind of "friendly society" bank), trust companies, and small loan companies. The banks have been unable to counter this encroachment by a drive to spread the banking habit. The habit has already spread; at the latest count there was roughly one bank account for every Canadian over fifteen.

The banks' most serious rival, however, is the government itself. Each autumn a new issue of government savings bonds appears and bites deep into the banks' deposits. The latest issue carried interest at 5 per cent compared with 3 per cent on bank savings accounts; and the bonds can be redeemed at any time at par. It is true that the banks act as agents for the sale of these bonds and get a handsome commission for the work, but this does not make up for the lost deposits.

Hamstrung by the Bank Act, the banks have had to compete by extending their range of services. In addition to several kinds of individual savings deposits, banks pay premium rates, of from 4-4½ per cent, for fixed-term deposits of substantial size; and one bank has introduced term notes—marketable instruments with maturities from one to six years, which are directly competitive with notes sold by trust companies and other institutions. On the lending side, Canadian banks began in 1958 to offer special consumer instalment loans for a wide variety of purposes. The loans are usually unsecured, and carry rates of interest which are effectively higher than the banks' rates on their secured loans, but are still considerably below the rates charged by instalment finance

companies. This type of business has expanded rapidly, and in a relatively prosperous environment (pace the setbacks to economic growth) there have been very few bad debts so far. The banks are also beginning to extend their hours of opening in shopping centres where there are trust-company offices. The banks compete aggressively in the services they offer to business customers, and they are also competing increasingly in the development of foreign business, offering services in continental Europe and Japan as well as in the international money markets of New York and London.

Competition among the banks themselves is also limited to the provision of increased services—the banks agree on interest rates and use a standard scale of charges. As the country develops there is a constant pressure to open new branches, and both the population drift to the suburbs and the growth of new frontier communities have encouraged a great increase in branch openings. Under pressure of competition new branches are established well before they can be expected to pay their way. Nor are rising costs easily offset by increased productivity, because branches are so widely scattered.

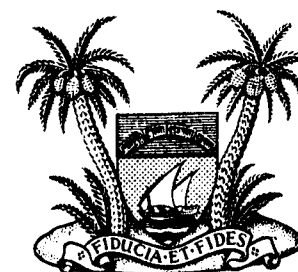
Although the banks are gradually introducing automatic methods such as electronic cheque-sorting, there is a limit to the usefulness of such techniques. A small, remote branch must be staffed, equipped and heated in much the same way as a busy downtown one. Large quantities of paper must continue to travel back and forth across the country. The delays caused by such travel, and by Canadian winter weather, must be allowed for in analysing the cash position and managing the day-to-day affairs of a Canadian bank. Cheques written in Vancouver or in Newfoundland can take two weeks to reach Toronto during the Christmas rush. The distance between head office and branches probably tends to make lending policies less flexible and responsive to changing conditions than they might otherwise be.

Waiting for Porter

CANADIAN bankers are now wondering how far their immediate problems will be solved—or exacerbated—by the Royal Commission on Banking and Finance. Its terms of reference are very broad, but one of its specific tasks is to make recommendations on the decennial revision of the Bank Act, due to take place in June 1964. The Bank Act is a comprehensive piece of legislation which regulates virtually every phase of banking in Canada. It has been an important protection for depositors as well as a restriction on the banks themselves. Apart from the question of the interest rate ceiling, another provision of the Act to be discussed by the Commission is the general prohibition on mortgage lending (there



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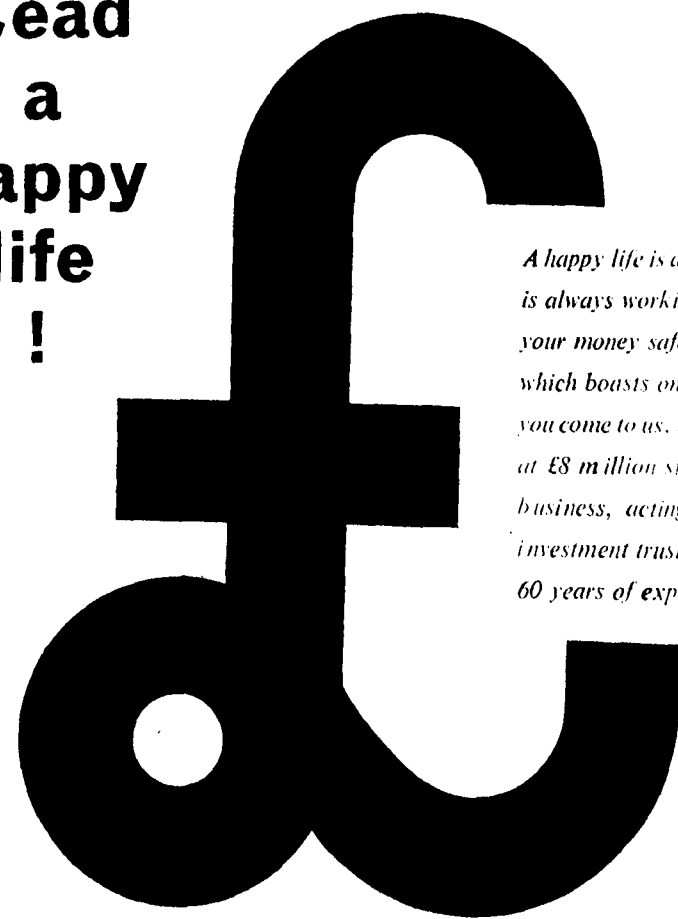
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are a few exceptions, the most important being mortgages guaranteed under the National Housing Act). Although this prohibition is a factor inhibiting bank competition, the banks have mixed feelings about the desirability of going into mortgage lending in a general way, arguing on occasion that longer-term risk assets have no place in the portfolio of a commercial bank. A further question the Commission may want to ask is whether the chartered banks are doing enough to meet the needs of small business and to facilitate the "structural adjustments" now faced by Canadian industry.

Fluctuations in monetary policy in recent years have posed recurring problems for Canadian banks, especially of course during periods of tight money in 1956-57, 1959 and 1962. Direct government controls on credit have not been used in Canada to any extent, so that a policy of monetary restraint obliges the banks themselves to ration credit, a difficult and painful process. Since only bank credit can be directly controlled by the monetary authorities (through the cash reserve requirements imposed by the Bank Act) it follows that as other financial institutions develop, bank credit must be controlled more and more severely in order to achieve the same control of total liquidity in the economy.

Moreover, it is not only in its control of the supply of money that monetary policy in Canada falls especially heavily on the banks. Late in 1955 the Bank of Canada asked the chartered banks to restrict their lending capacity by building up "secondary" reserves of Treasury bills and money-market loans. Liquid reserves must now consist of cash amounting to at least 8 per cent of Canadian dollar deposit liabilities, and of Treasury bills and day-to-day loans which together with cash must total at least 15 per cent of deposits. Many bankers regard these requirements as excessive, arguing that a 5 per cent cash ratio would be enough; and some suggest that the monetary control could be achieved without any statutory cash reserve. It has been argued at the same time that the banks' own need for liquidity calls for holdings of short-term assets beyond the required level, so that the secondary reserve requirement is superfluous. Thus in the past few years the cash ratio has tended to remain very close to the legal minimum of 8 per cent, whereas secondary reserves have for much of the time maintained total liquid assets at around 16-18 per cent, rather than the minimum

15 per cent. This is probably accounted for by the fear of sudden changes in monetary policy: since 1955 the banks have three times had to sell large quantities of government bonds on a falling market in the face of heavy demand for credit and of tight central bank restraint.

Special problems for Canadian banks were also created by the balance of payments crisis. Uncertainty in the exchange market for the Canadian dollar led in a variety of ways to a sharp increase in the demand for bank loans in the spring and summer of 1962. When the Bank rate, which had floated at one quarter of one per cent above the Treasury bill rate since 1956, was suddenly raised and anchored at 6 per cent in June, the banks found themselves in a tight-money situation created by external circumstances and not reflecting demand conditions in the domestic economy. (It should be noted, however, that the banks had been arguing strongly for a return to the fixed "signal" Bank rate for some time, and they welcomed the new principle, though not the fact.) The recent improvement in exchange reserves, however, has brought reductions of the Bank rate in three steps to 4 per cent, together with a slight easing in bank cash reserves. These moves have now created a monetary climate more appropriate to the mild business recession which is generally expected in Canada this winter.

Relations between the central bank and the chartered banks have been improving quietly since Mr Rasminsky became Governor of the Bank of Canada just over a year ago. The difficult monetary operations of the past summer were handled in a way which did not exacerbate the unsettled political situation, and the return to a fixed Bank rate which is used to signal changes in official policy has restored a sense of direction to the financial community.

Now at the end of 1962, in a somewhat calmer climate than they have experienced of late, the banks have settled down to wait for the report of the Porter Commission and the 1964 revision of the Bank Act. The banks' own brief to the Commission is due to be presented next January. The brief to be submitted by the Bank of Canada has already been distributed, but is regarded in banking circles as disappointingly non-committal. Perhaps this was inevitable in view of the rather stormy financial weather which Canada has just passed through.

Control by Agreement in Holland

FROM AN AMSTERDAM CORRESPONDENT

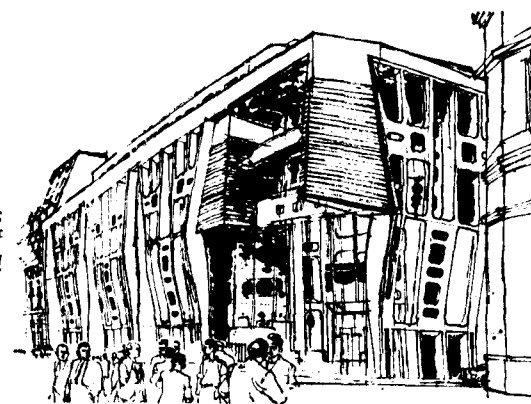
A GALAXY of one hundred and fourteen commercial banks does not prevent Dutch banking from being more akin to British practice than to that of its continental neighbours. The Netherlands has its "Big Four"—the Amsterdamsche Bank, the Nederlandsche Handel-Maatschappij, the Rotterdamsche Bank, and the Twentsche Bank—holding 60 per cent of total deposits. Capital and reserves, as in Britain, are a small proportion of total assets, while something like two-thirds of deposits are in current accounts. The Dutch banks, unlike the German banks and the French *banques d'affaires*, do not as yet hold large blocks of shares in industrial concerns; the emphasis in lending, as in Britain, is on formally self-liquidating transactions, and the loans are arranged on an overdraft basis—a system many other continental bankers find strange.

In the last decade the Dutch banks have been on the receiving end of a variety of experiments in credit control; adjusting to the changes has been a major problem. The system of control that has evolved is considerably wider than in Britain. Holland's 11½ million people enjoy the services of an enormous range of 2,633 agricultural banks, controlled by their own two central banks; 265 general savings banks; 67 stockbroking firms; and 114 commercial banks. All the credit institutions are controlled under the "Act

on the Supervision of the Credit System" of 1952. By extending their influence to all these institutions, Dutch authorities have grasped a nettle from which monetary authorities in other countries have mostly shrunk.

The Act of Supervision gives the Government broad powers to control credit and to safeguard the solvency and liquidity of the credit institutions. The Netherlands Bank acts as the Government's agent in the administration of the Act. The bank laid down mini-

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INTERNATIONAL BANKING

mun solvency and liquidity ratios for the banks in 1954. Complying with these directives has caused the commercial banks no problems until now—though the sharp increase in lending since 1958 has whittled the cushion of liquid assets above these ratios down to their minimum.

This Act makes central bank control in Holland appear formal and legalistic, but a series of gentlemen's agreements, concluded between the Netherlands Bank and the commercial banks since 1954, have placed control on a more informal footing and pushed the specific provisions of the Act into the background. The gentlemen's agreements have necessitated constant consultation between the central bank and the credit institutions, which Dutch bankers appreciate. Relations between the Netherlands Bank and Holland's commercial bankers are now very close indeed.

In 1954, confronted with a situation of excessive liquidity in the banking system, and therefore the danger of inflationary financing, the Government and the central bank in a joint effort took action in two ways—firstly, by funding FL1,200 million out of the FL3,000 million Government short-term debt held by the banks in 8- 10- and 12-year Treasury certificates and secondly by concluding a gentlemen's agreement with the 32 representative commercial banks, and with the central organisations of the agricultural banks, on obligatory cash reserves to be held at the central bank. Since early 1960 the cash reserve ratio, which is fixed month by month, has been changed no less than eleven times—the ratio varying from 5 per cent to 10 per cent. In October 1962 the obligatory cash reserves with the Bank amounted to FL462 million.

New Lending Control

UNTIL 1958 the growth in lending to the private sector lagged behind national income. Since that year, however, the volume of domestic bank lending has increased much faster than national income, despite the funding operation which skimmed-off about FL1,650 million in excess liquidity. The expansion in lending was so rapid that the central bank introduced in June, 1961 an arrangement, already agreed upon in principle by the credit institutions in 1960, for moderating the expansion of domestic lending, provisionally up to the end of 1962. When the monthly returns lodged with the bank reveal that lending by a bank has exceeded a certain rate, based on the average increase in previous months, then that bank must make an interest free deposit with the central bank amounting to up to the full amount of the excess lending; fixed term lendings with an average life of at least two years being excluded from this control. Consequently no absolute ceiling has been imposed on domestic lending, but nevertheless the sanctions on exceeding the standards make lending unattractive when it is officially unwelcome. In September penalty deposits amounts of FL62 million had to be lodged with the Netherlands Bank; in October the banks had once more fallen in line with official wishes. The gentlemen's agreements on the control of lending and on minimum cash ratios, subject to a 15 per cent maximum, now form



THE ECONOMIST NOVEMBER 24, 1962

the hard core of credit control in Holland. Limited in their domestic lending, the commercial banks have given increased attention to foreign private business. Foreign lending, other than money market transactions, increased from FL618 million in 1956 to FL1,937 million in 1961. This lending is welcomed by the authorities, since it helps to neutralise Holland's balance of payments surplus.

Struggle for Deposits

The combination of the burst in new lending since 1958 and official efforts to reduce bank liquidity has now faced the banks with growing competition for deposits, not only amongst themselves but also with the agricultural banks, whose deposits now total FL5,950 million, and the postal cheque and giro transfer system. In the battle for local deposits the commercial banks have been losing ground; their share in total deposits fell from 48.8 per cent in 1951 to 43.6 per cent in 1961. Although the banks' own credit transfer system is extremely efficient, the postal cheque and giro system is a major competitor of the banks; at the end of 1961 this Government institution had 813,000 accounts and FL2,063 million non-interest bearing deposits, compared with deposits of FL12,790 million with the commercial banks. The commercial banks have also lost deposits to the agricultural banks, which have been vigorously soliciting non-agricultural business.

One of the big four made history in 1954 by offering 8-year 3 per cent deposit certificates. In the same year one of the Dutch overseas banks introduced savings accounts. Since then most of the commercial banks have followed this lead and now actively solicit savings accounts. The move has been highly successful; savings deposits with commercial banks and affiliated savings banks totalled up to FL1,273 million at the end of 1961 compared with only FL60 million in 1956; they now represent 12 per cent of all savings deposits. The nature of these deposits, however, differs noticeably from those received by the specialised savings banks: thus the average balances in the commercial banks are much higher (by more than five times). The rate of turnover is somewhat higher too, and a relatively large percentage of the drawings represents purchases of securities.

Search for New Investments

THE large influx of savings deposits, costing from 3½ to 4 per cent necessitated the finding of corresponding high yielding investments. As a result there has been a large increase in capital market investments, in participations in hire purchase and industrial finance companies, and medium-term lending, which has facilitated the growth of Dutch industry. Industrial production has grown by nearly 70 per cent in ten years; and it shows an increasing diversity. This expansion has brought with it a multiplicity of capital requirements for small and medium-sized industries which are as yet unable to call on the share market or the capital market in general. The larger commercial banks have been quick to meet these requirements by medium-term lending. On the whole commercial banks have not embarked on mortgage business; however, one or two banks have entered, through affiliated companies, the field of property finance and ship mortgages.

In consumer credit too the banks have demonstrated their willingness to meet new needs. Almost all the larger banks have affiliated hire purchase finance companies, which, however, rely mainly on the capital market for finance, as the parent banks provide only temporary bridging loans. Consequently total engagements of the banks in hire purchase amounted to no more than FL141 million at the end of 1961. The banks also grant direct personal loans, but demand here has lagged behind expectations.

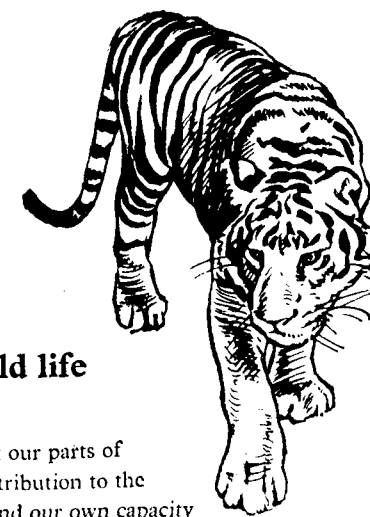
Yet Dutch banks do not lack the resources for retail banking.

THE ECONOMIST NOVEMBER 24, 1962

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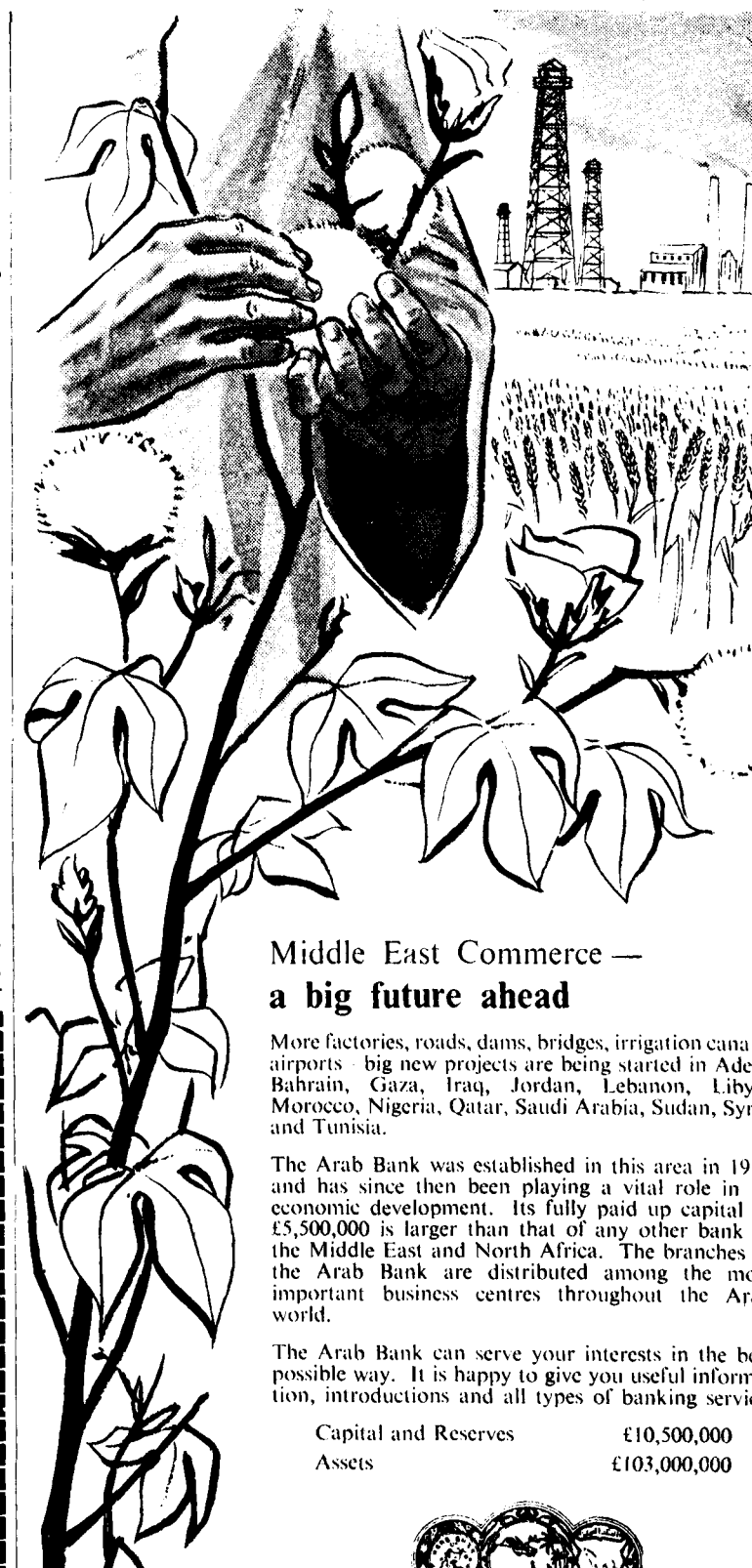
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True, the rate of increase in the number of bank branches in Holland is slowing down. But the network of branches is already dense and the cost of operating branches is continuously rising. The big four had a network of 814 branches at the end of 1961 (583 in 1945), the three branch banks in the second rank (in size) having 237 branches. New branches have been opened in the new residential areas and shopping centres and also in quite a number of so-called problem areas in the southern and northern provinces, where the Government is successfully promoting and facilitating the establishment of new industrial enterprises. Finally many new branches of the larger banks were the outcome of the absorption of local and regional banks. A series of amalgamations in the fifties reduced the number of registered banks from 137 to 114—the number of independent banks however being much lower.

Between the end of 1956 and of 1961 the domestic lending of the representative commercial banks rose much faster, by 63 per cent, than internal deposits, which rose by 42 per cent. In much

Italy—Credit into Capital

FROM A ROME CORRESPONDENT

IN the last few months the pace of Italian expansion has begun to slow down somewhat from the extraordinary pace of 1959-61, which in turn followed some slow-down in 1958. For the past year economic development in Italy has entered a new phase, characterised by a notable increase in labour costs, as wages have risen still faster than productivity. The upshot has been, as in many other countries, a paring of profit margins which has cut into the resources available for financing expansion from internal funds. Because the capacity of the capital market is small, firms have accordingly been obliged to increase considerably their demands for bank credit.

The Italian banking system has been able to meet these new demands efficiently because it is sustained by a monetary policy which, in the absence of bottlenecks in the labour market and of worries about the balance of payments, seeks to maintain the pace of economic growth. This expansionary monetary policy has been directed at two points—maintaining the liquidity of the money market and, further, promoting the transfer of funds to the capital market. This has helped to break down some of the unnecessarily sharp distinctions made by Italian institutions between short-term credit and longer-term credit, and has made more credit available for the creation of fixed capital.

New Liquidity Controls

In these circumstances the introduction of a classical instrument to control liquidity will be very important for Italy. The new measure permits official operations in the open market and incorporates a new and more flexible system for the issue of Treasury bills. The innovation, which is being made this month, was foreshadowed by the Governor of the Bank of Italy, Dr Carli, in his annual report issued a few months ago. Dr Carli pointed out that, under the existing system there was no relationship between the issue of Treasury bills and the cash needs of the Treasury: the bills were issued on tap even if the proceeds simply swelled the Treasury's balance at the central bank. The new system of monthly issues in limited quantity should stimulate the banks, in a period of abundant liquidity, to put their funds into other channels. The adoption of this system of tender issues of bills, which is new for Italy and which it is hoped to extend to other public securities, may lead to an intensification of the use of other instruments of general control on banking liquidity.

the same way as in Britain, advances could be financed at the expense of liquidity. But from now on the banks, in order to sustain their growth, will be more dependent on new deposits. Between 1956 and 1961 share capital and reserves rose by only 37 per cent and consequently the ratio between capital and reserves and deposits of the 32 representative commercial banks dipped from 13.5 per cent in 1956 to 11.9 per cent in 1961. Three banks out of the big four group have not called on the share market for 28 years or more; only De Twentsche Bank has surprised its shareholders, with a rights-issue in 1962. Banks in the second echelon, however, have been regular callers on the share market since 1956. The big banks strengthened their reserve positions rather by withholding large parts of the net profits and also by disclosing hidden reserves built up in the past. Notwithstanding soaring costs and fierce competition for deposits, the earning power of the banks has moved steadily upwards since 1957, which has enabled them not only to strengthen their reserve positions but also to make handsome distributions to their shareholders.

In Italy, as in other countries, the authorities can regulate the liquidity of the banking system by calling for compulsory reserves in accounts at the central bank (which are interest-bearing) or in Treasury bills, as well as by altering the official discount rate. But adjustments of the Bank rate in Italy are rare. The last variation was in June, 1958, when the rate was lowered from the level of 4 per cent which had prevailed since 1950 to the present 3½ per cent. And adjustments of reserve requirements are quite exceptional. The only change since 1947 has been a reduction, last January, from 25 per cent of net deposits in each bank to 22½ per cent.

Hitherto the liquidity in the banks has been mainly regulated by selective rather than general measures. The central bank has put funds at the disposal of individual banks in a number of ways—rediscounts of commercial and agricultural bills; more often, advances against government bonds or state guaranteed securities. Most important of all have been operations in foreign exchange.

Three main means have been used by the authorities here to inject or withdraw liquidity in lire into (or from) the money market:

buying or selling foreign currency from or to the banks in exchange for lire through the Italian Exchange Office (*Ufficio Italiano dei Cambi*);

conceding advances in foreign currency;

authorising the banks to utilise credits of foreign banks, or obliging them to balance their position abroad by buying or selling foreign exchange against lire through the Exchange Office.



Bank of India—manager's office

The potential range of credit control is very extensive in Italy. The Banking Act of 1936 considers the collection of savings and the exercise of credit matters of public interest and puts all concerns that exercise both functions under the control of the monetary authorities. This control, which is under a special inter-ministerial committee, is exercised through the central bank. The banks require its permission to set up with a given capital; they require permission to open new branches. The central bank determines the ratio between capital funds and total deposits; the issue of shares and bonds and the placing of shares or bonds issued by other concerns; the proportional distribution of investments; and the limits of credit facilities. Finally it supervises the fusion or liquidation of banks.

The law empowers the monetary authorities to introduce quantitative and qualitative controls on the activity of banks, particularly of commercial banks. Investments in real estate require prior authorisation, which is usually given only for buildings used by the bank itself—and Italian bank buildings have always been noteworthy for their presumptuous and spurious style. Official permission is also needed for holdings of shares, usually allowed only in companies that are either created and subsidised by the State or are set up for purposes of public interest, or of a financial character. Otherwise, holdings of shares are usually limited to the quantity necessary for normal buying and selling transactions performed by the banks on behalf of their clients. Regulations on credits include a limit on the amount conceded to a single borrower to a maximum of one-fifth of the capital funds of each bank.

Unlike money markets in English speaking countries, the Italian money market is a narrow one. It is practically confined to the commercial and savings banks. There are no organisations like the merchant banks, acceptance and discount houses, finance companies and the like. The basis of banking specialisation in Italy is the distinction, made by the Banking Act, between commercial and savings banks on the one hand which collect short-term deposits and, on the other, banks which may collect only medium and long-term deposits. Short-term credit, formally up to twelve months, is thus separated from medium-term and long-term credit, and particularly from industrial credit. These longer credits are in general granted by special credit institutions. The commercial and savings banks in particular are excluded from certain sectors in which even some of the most orthodox commercial bankers in other countries participate—including the financing of medium-term credits for export.

The practice of using formally short-term loans, granted in the form of overdrafts, to finance stocks, plant and the like, has become fairly common in the Italian banking system, particularly since the last war. This practice has been spread by lively competition between the banks and has tended to operate to the advantage of the biggest customers. A more concrete and openly recognised form of integration between short-term and longer-term credits exists in Italy in the "sections" set up in some commercial and savings banks for the purpose of granting special longer-term credits.

Public Control, Independent Management

PERHAPS the most salient feature of the Italian banking system is that all these official controls are being enacted over banks that are largely owned by the state in any case. The present Centre-Left government has no intention of extending public ownership of the Italian banking system, which is already well advanced. Over two-thirds of total deposits are administered in the public banks. Among these, however, there are very few to whose capital the state has contributed directly, though they include the Banca Nazionale del Lavoro, the largest bank in Italy. More important are indirect interests in the three

ITALY'S BANKING STRUCTURE

	End of years	Public found-ations	Banks of national interest	Ordinary Banks	Co-operative Banks	Total Banks	Savings Banks	Total
No. of banks	1948	5	3	219	227	454	84	538
	1958	6	3	196	211	416	90	506
	1961	6	3	194	213	416	89	505
No. of branches and agencies	1948	1,153	646	1,804	1,056	4,659	1,948	6,607
	1958	1,301	700	2,076	1,346	5,423	2,452	7,875
	1961	1,382	737	2,214	1,498	5,831	2,630	8,461
Total net deposits (billions of lire)	1948	335	365	327	169	1,195	325	1,520
	1958	1,664	1,516	1,709	858	5,747	1,805	7,552
	1961	2,620	2,230	2,765	1,361	8,976	2,938	11,914
	1962†	2,709	2,225	2,807	1,404	9,145	3,042	12,187
Total lira loans (billions of lire)	1948	245	272	222	102	840	189	1,029
	1958	1,157	1,001	1,148	554	3,859	1,084	4,943
	1961	1,919	1,680	1,838	895	6,332	1,693	8,025
Foreign exchange loans (billions of lire)	1956	44	91	15	6	156	...	156
	1958	68	121	23	8	206	...	206
	1961	202	313	99	39	654	22	676

* Fully owned state banks, including Banca Nazionale del Lavoro. † Banks in which state has a partial interest. ‡ March.

"banks of national interest"—Banca Commerciale, Credito Italiano, Banco di Roma—and the Banco di Santo Spirito, whose capital is almost entirely owned by the state holding company, IRI. The other banks to whose capital the state contributes indirectly are public corporations and foundations such as the remaining Public Law Institutes and the savings banks. Only among the ordinary credit banks, which hold little over a fifth of total deposits, are privately controlled concerns to be found.

But the extent of public ownership has not caused interference in technical management or influenced competition between the banks. Competition, in fact, has constantly tended to increase. Immediately after the war, and even more between 1950 and 1953, competition extended to interest rates, but in 1954 most interest rates and charges were regulated by a gentlemen's agreement freely accepted by the banks and renewed from year to year. Competition has therefore tended to become concentrated in operations and services not regulated by the agreement. In practice, not all the banks that have subscribed to the agreement respect it in the same way. In periods of abundant liquidity competition in rates is achieved by a wider differentiation of maximum credit rates and by widening the range of clients to whom prime rates are offered. Recent developments have increased the points of friction and of contact between banks of different size. For instance, many medium sized banks and savings banks have greatly increased their standing and are able today to serve even very large concerns.

The development of new banking services has been noteworthy in the field of foreign trade. The banks, especially the big banks, are also active in security transactions, buying and selling on the stock exchange on behalf of clients, and placing new issues. The extension of these services has often influenced the development of the banks' profits and has helped to compensate for the reduction of the margin between the interest on deposits (in Italy even current accounts earn interest) and that on loans. This margin has been almost halved since the exceptional levels of 1947-8.

There has been a noteworthy decentralisation of branches and agencies: since the war the authorities have encouraged banks to open new branches in places where banking services were scarce. This encouragement has gone mainly to local and inter-regional banks and the trend has been to limit the further expansion of the main national banks. In spite of this there is still a notable concentration of resources and credits. Thus the four largest banks (Banca Nazionale del Lavoro, Banca Commerciale, Credito Italiano, Banco di Roma) which operate over the whole country, and which at the end of 1961 had only 10 per cent of the operating bank counters, disposed of over one-fourth of bank deposits and nearly one-third of total credits.

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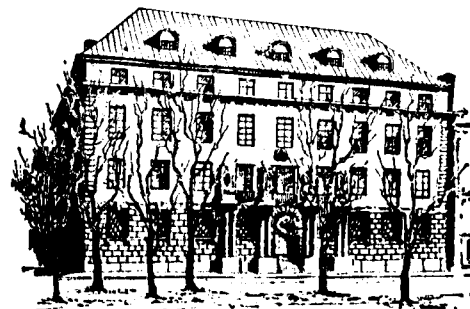
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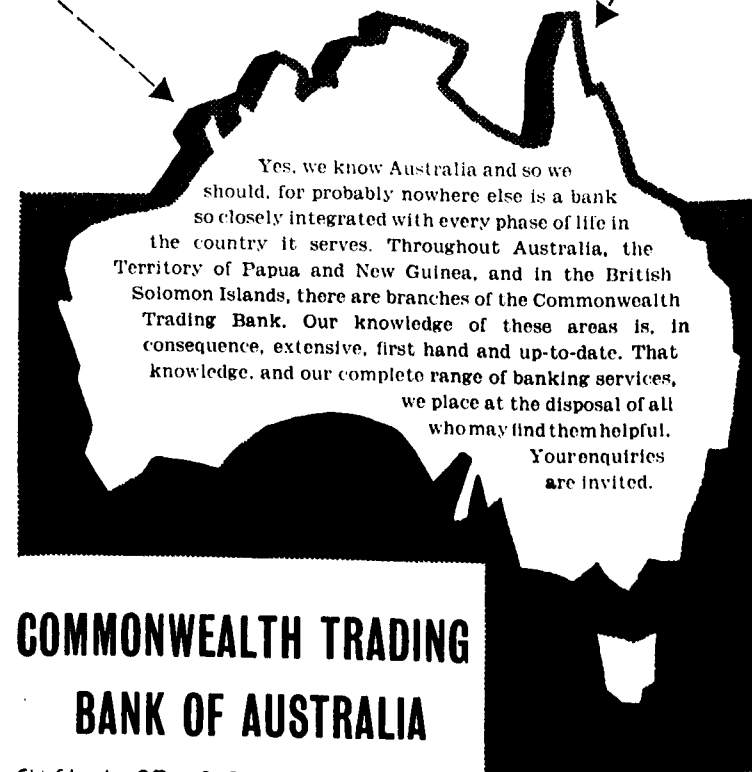
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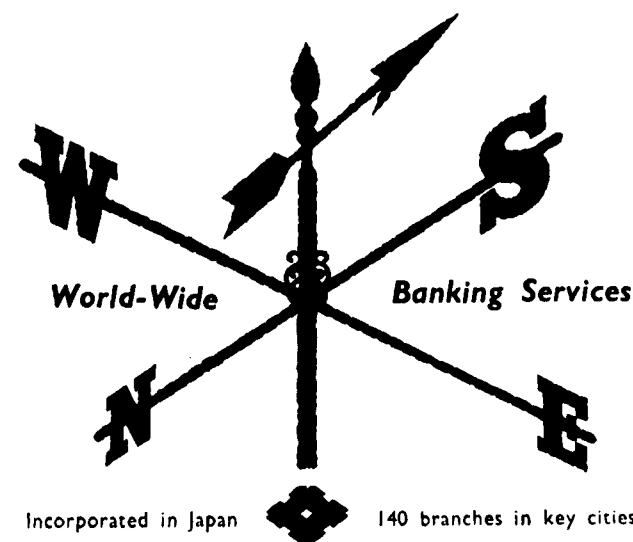
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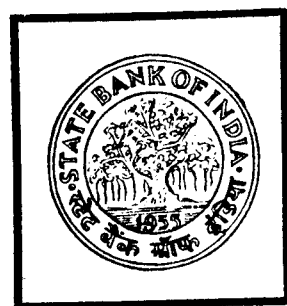
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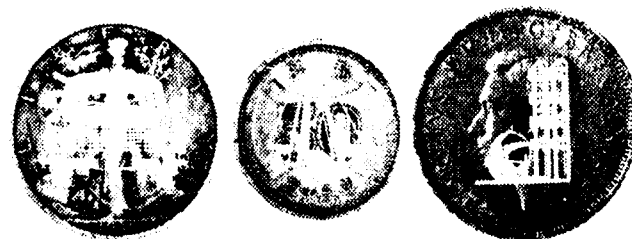
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BUSINESS NOTES

THE ECONOMIES

Third Quarter Upturn

SINCE the Central Statistical Office has now revised downward its June index of industrial production from 118 (1958=100) to 117, the provisional figure of 118 published this week for September hits the year's "high"; but there was probably not much between the levels of output in the two months, and the index has in fact risen only two points since May. The upturn in the third quarter here has not been as pronounced as the European Economic Commission (on scrappier indications) thinks the Six may have scored.

The commission believes that this upturn—shown in indices that lag somewhat behind Britain's—was partly due to larger seasonal influences than usual, so that the ordinary seasonal corrections it uses have not damped these out. It has not been as quick to put an optimistic gloss on these fragmentary figures as some of the individual governments have been, for example at OECD sessions; it comments that "the new speed-up in growth is probably in part a process of making up leeway and to this extent it will probably only be temporary."

The profile of production increase in Britain over the last two years remains very different from that in the Six. These continental countries, apart from the Benelux area, can show a far more impressive year-to-year rise than industry can here, because they all notched up much better increases in output during 1961. Since the beginning of this year, Britain's performance compares much better as the rate of increase among the Six has generally slackened somewhat while Britain's, during the first half of the year, notably quickened. Since then the increase has been slower, though the latest indications of demand—retail trade figures and home engineering orders—also suggest an upturn. But the expansion is still only taking up the slack in the economy. The latest count of unemploy-

ment showed the largest monthly increase since the upward drift started in June, 1961. In the four weeks to November 12th the numbers wholly unemployed rose by nearly 42,000, although the normal seasonal increase is only about 18,000. And there were then eight people out of work for every three jobs notified as vacant. This must have some connection with less avid hoarding of labour.

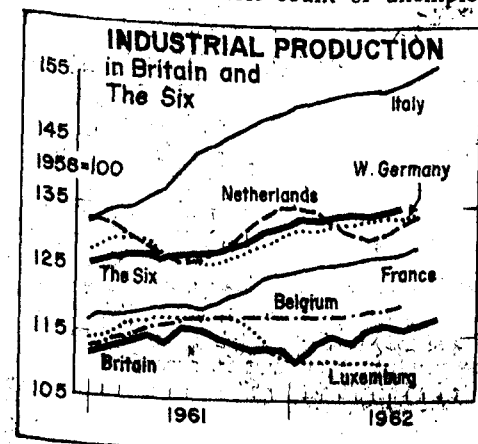
The European community, however, is still six countries, presently enjoying quite different fortunes. In Italy the production index still shows a better rise than anywhere else in the common market; but not at last year's rate, and the Italians are among the least complacent of the Six regarding continued expansion. Both Belgium and the Netherlands have shown resumed growth in the second and third quarters of 1962; the first has become more competitive in its exports to the rest of the community, and in the second the natural increase in population is making more labour available. In Germany, however, says the Commission "even the consumer market seems to be settling down to a slower pace."

In France the trend of expansion has not really altered much: marked increases in metals and chemical production slightly accelerated the rate of industrial growth during the summer, and official forecasts for the year, of a 5½ per cent in national income, have been revised fractionally upwards. If one applies a three-monthly moving average to smooth out minor month-to-month fluctuations, France's industrial trend is steady—and growing at an impressive 7 per cent per year.

IN THE MARKETS

Chinese Blacks and Whites

AS the tea gardens in Assam were directly threatened by the Chinese advance, the big fall in Indian tea shares and their equally sharp recovery after the Chinese announced a cease fire were entirely logical. But the fluctuations were due as much to a deliberate widening of prices by jobbers as to the actual volume of dealings. As a natural converse, Ceylon and Southern Indian tea shares were bought. They continued to rise after the cease-fire announcement as some investors, uncertain about the reaction of the Indian government to the Chinese proposals, hedged their bets. The shares of Burmah Oil, which has a direct interest in the Digboi oilfields, also moved sharply.



Elsewhere in the market, nerves rather than logic appear to have dictated price movements. Reason might suggest that had the Sino-Indian dispute developed into a conventional war on the Korean pattern increased defence spending and other expansionary tendencies would have led to a rise in equities and, possibly, commodity prices. But the market was so seized of the dangers of war in any form that the initial reaction both in Wall Street and Throgmorton Street was to mark prices down and then up again after the cease fire announcement. As a result the Dow Jones average, having fallen to 626 on Monday, had recovered to 637 on Wednesday, when Wall Street was also cheered by a further easing of the Cuban tensions. Wall Street's recovery and the announcement of higher industrial production in Britain in September reinforced the effect of the cease fire proposals in the London market, where on Wednesday the gain of 4 points to 293.6 in the *Financial Times* index cancelled out all but 1.2 points of the loss registered by the index in the two previous days. Over the week to Wednesday's close *The Economist* indicator made a gain of 3.3 points to 345.7 and equity prices continued to move ahead on Thursday.

Gilt-edged stocks, which were dull before the week-end, shared in the general recovery in the middle of this week. Some investors clearly thought that last week's fall had been too abrupt and came back into the market to buy long dated and undated stocks. The strength of sterling was one encouragement and investors may have noticed that while activity in gold increased a little before the Chinese offered their cease fire, business remained moderate.

PROTECTING DEPOSITORS

Better Late than Never

THE Government has at last produced a bill to regulate companies which solicit unsecured loans and deposits from the public. This very necessary amendment to company law was first promised in 1959; the Government's failure to fulfil that promise until now has been indefensible. There are many small investors who might still have their savings intact had the Government blocked this major loophole when it first appeared. The purpose of the Protection of Depositors Bill, published as this issue went to press, is to restrict the issue of advertisements inviting the public to invest money by way of deposit, and to secure a greater measure of public control over companies using such money. Its terms will be examined here in detail next week.

GOLD POOL

The Individual Quotas

A continental correspondent writes:

To complete the picture of the structure and working of the central banking gold pool given in these columns last week on page 701, here are the individual quotas for each country. These quotas set the cumulative limit of the net amount of gold each central bank is willing to put into the central pool. As indicated last week, the cumulative deficit at the end of October was \$82 million.

Quotas of—	\$ million
United States	135
Germany	30
Britain	25
France	25
Italy	25
Switzerland	10
Belgium	10
Netherlands	10
Switzerland	10
Total	270

The notable features of these quotas are first, that the precise total is \$270 million rather than the round \$250 million which

has been mentioned hitherto; and secondly, that the United States is not only a full member of the pool but provides exactly half of it. Thus an element—a 50 per cent element—of the former direct “gold bridge” between the Federal Reserve and the London market is built in to the gold pool mechanism itself; and European countries have so far provided no more than a net \$40 million from their gold reserves, and are committed to a maximum of \$135 million.

In addition, as noted last week, the pool arrangements also provide for special sales of gold to the pool by the United States when the dollar is under speculative attack. Thus in three weeks of July such speculation necessitated sales of \$100 million from the pool and the United States made a special contribution of \$35 million. This left \$65 million to be found by the pool members. Since the United States itself has a half interest in the pool it also had to finance half this pool deficit of \$65 million; thus the total strain on its reserves (if a pool settlement had taken place at that moment) would have been \$67½ million (\$35 million plus half of \$65 million) leaving only one-third of the \$100 million to be financed from the gold reserves of the European pool members.

FUTURE OF EMA

Britain against the Guarantee

It is now clear from information leaking out in continental centres that a major hitch has been encountered in recent Paris discussions on the renewal of the European Monetary Agreement for a further year beyond the end of 1962. The argument is basically between Britain and the continental members of EMA and it concerns the built-in dollar guarantees. Britain is opposing them, on technical and tactical grounds which are understandable in isolation; but its stand has not helped its wider aim of sowing support for the Maudling proposals on international payments, which themselves involve the more far-reaching guarantee, in terms of gold.

The European Monetary Agreement was negotiated in 1955 as an eventual successor to the European Payments Union, for implementation on the advent of market convertibility, which came three years later, at the end of 1958. The exchange guarantee was not given directly, but was, and is, implicit in that part of the agreement providing for monthly settlements of balances at fixed exchange rates. At the time of the original EMA negotiations the British representatives questioned the need for any such supplement to the market mechanism. The compromise solution then adopted was to embody facilities for such settlements, but to fix these settlements at the extreme points—the most unfavourable extreme points—of the permitted margins of market fluctuation, viz. \$2.78-2.82 for

sterling. But while this ensured that the settlements mechanism would not be used in normal times, it did provide the assurance that whatever happened to exchange parities, balances in European currencies held by central banks in EMA could always be converted at the end of a month at the lower margin of the existing dollar rate.

This effective dollar guarantee of sterling balances happened to prove very useful in the context of the special Basle credits of 1961, though no doubt special arrangements could otherwise have been contrived. Nonetheless Britain's representative on EMA was already pressing for the guarantee to be dropped in last year's discussions for the 1962 renewal; and this year Britain's resistance has stiffened. It is based on two main considerations. First, a guarantee in terms of dollars, however natural it may have seemed in 1955, seems inappropriate now—to-day it is rather the dollar that needs to be guaranteed in terms of the Swiss franc. Secondly, the Bank of England has for some time encountered complaints from sterling area countries, and particularly Australia and New Zealand, who resent the granting of more favourable treatment to European balances in London than to their own. It seems that Britain agreed to ask for the suppression of the guarantee as part of a *quid pro quo* for the Commonwealth in the general bargaining on the common market. It may be that

British officials also feel that since overseas sterling area countries will themselves lose some relative financial advantage if Britain goes into the common market, it may be particularly necessary to remove an apparent discrimination against them.

To and Fro in Paris

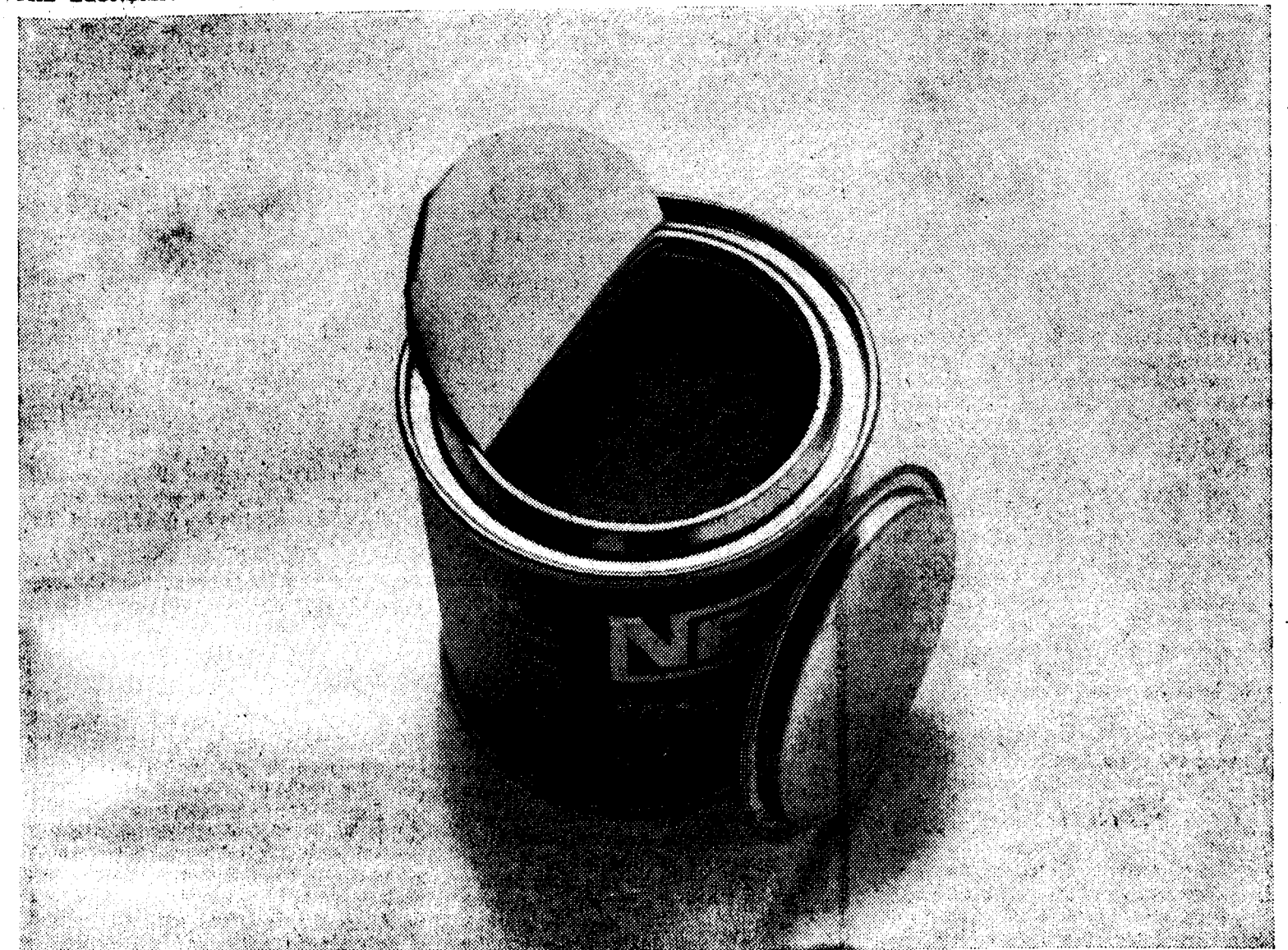
THE reaction of the board of management of the EMA to the British proposition a few weeks ago was very sharp, according to continental accounts, and the proposition was unanimously rejected. France was angry and said bluntly that Britain had to choose between Europe and the Commonwealth. The other continental countries were also strongly opposed to the total abolition of the exchange guarantee. A compromise was then worked out by Mr C. de Strycker of Belgium, according to which only “sight balances” would qualify for the exchange guarantee. After some time, the British director, Mr L. Petch of the Treasury (who is himself a vice-chairman of the board of management), agreed to this proposition but only for an amount of \$2.2½ million. The continental members again rejected this “funny” proposition, which covered only one per cent of the sterling balances held by European central banks. Some central banks hold large amounts of sterling (for example Spain) and the total is around £250 million.

The British delegate then made another proposal: Britain would give an exchange guarantee in the event of an emergency, that is when sterling was under strong pressure. This proposition also was rejected, and the other member countries pointed out that what matters is that the guarantee exists and not that it might exist. Any decision to help sterling by taking it off the market has to be taken immediately, and a conditional exchange guarantee would in this view actually impede the smooth working of the system.

So no compromise was reached and the future of the EMA remains in the balance. There are now three theoretical possibilities:

1. For Britain to leave EMA at the end of the year. But it seems inconceivable that Britain should leave EMA on a question of exchange guarantees at the same time as it proposes a (limited) generalisation of guarantees—gold guarantees—in the Maudling plan. It is clear that a withdrawal by Britain would mean the end of the EMA and probably the creation of a new and closer agreement between the countries of the common market. This would indeed fit oddly with Britain's approach to the Six in Brussels.
2. For all the member countries to agree to terminate the agreement, with the same consequences.
3. A compromise under which the guarantees would apply only to so-called sight deposits, but for a “fair amount,” which means for an amount in accordance with the balances held by all members.

This seems the most likely solution. A



This CAN holds a new sensation for instant coffee users

How two industrial giants laboured to retain one of the most elusive aromas in the world—the fragrance of freshly roasted coffee—in this can of new Nescafé.

It took more than 10 years of difficult and costly research to perfect the new aroma-rich Nescafé. For the aroma of freshly roasted coffee is elusive and intangible, even though it is a large part of the enjoyment.

Canning an aroma is not easy. (Metal Box, who make the 1-oz. and best-selling 2-oz. cans, say this is the understatement of the year.) Especially when the can will be in constant use, must open and close easily, and, above all, must be produced cheaply, in vast quantities, at high speeds.

Air is the problem... New, airtight cans were specially designed for Nescafé, and have

heavy-duty aluminium-foil protection, cushion-seamed into the top, wrinkle-free and capable of being packed under 13" of vacuum. They are 5-part containers, made to be opened 30-40 times during a short life. And since Nescafé prices have not increased, cost is all-important.

... but speed is the answer. Metal Box's solution was to simplify production and get high speeds. It took months of testing, rejigging and headache to achieve a tough, airtight, cheap little can that runs at 600 a minute off the only machines in Europe capable of such speed. With all its sophistication, the new can only costs a few shillings a thousand more than its simpler, non-airtight predecessor.

What's in it for the consumer? Aroma, needless to say. The new olfactory sensation will help to keep Nescafé in its position as brand leader in a highly competitive market. A grow-

ing market, too, for demand is increasing by 20% a year, and there are already over 12 million cups of Nescafé drunk every day. It's well worth 10 years of work, and thousands of pounds invested in research and development, catering for the instant coffee drinkers of today.

Metal Box were consulted at a very early stage by Nestlé, themselves international canning experts. But smaller, and even more complex, problems get the same service. Metal Box, with all their size and resources, place their design, engineering and research skills at the disposal of anyone selling food. Could they help you with your product?

MB METAL BOX

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decision may be made at next week's ministerial meeting of the Organisation for Economic Co-operation and Development in Paris (EMA is an agency of OECD), though in an attempt to preserve secrecy the subject has not been placed on the formal agenda.

HIRE PURCHASE

On the Turn?

Is the tide turning at last for the profits of the hire purchase finance houses? Two company results published this week provide weightier evidence of recovery than anything seen so far; they are from Lloyds and Scottish, the second largest of the finance houses which is owned jointly by Lloyds Bank and the National Commercial Bank of Scotland, and North Central Finance, the wholly owned subsidiary of the National Provincial Bank. Group trading profits of Lloyds and Scottish for the year to September 30th at £1,741,000 are back to about half the record level of almost £3 million in 1960, and well over double the very poor 1961 figure of £739,000. Net profits after tax have risen from £309,000 to £535,000. Profits before tax of North Central over the same period rose from £1,410,000 to £1,976,000 compared with £874,000 in 1960 and well above the earlier record of £1,580,000 in 1959. The disquieting element in the Lloyds and Scottish figures is the rise in overseas losses, from £288,000 in 1961 to £551,000 this year. Just five months ago the accounts of United Dominions Trust showed an increase in overseas losses from £159,000 to £763,000. It may be that the problems of the hire purchase industry have now shifted from the home to the overseas front, and that the better profit performances will come from the companies without overseas interests, like North Central Finance, or from those like Lombard Banking which have got rid of the weaker parts of their overseas holdings.

The finance houses have certainly been earning better current margins in the past year; the question has been whether these would be sufficient to offset what remained of the bad debts of 1958-60. True, business was at a lower level than in 1961 in the case of Lloyds and Scottish, but borrowing costs in the year to September 30th were somewhat lower than in the two preceding years. The finance houses now enjoy the favourable conjuncture of fairly cheap borrowing to finance relatively high yielding instalment loans, made before Bank rate had fallen to its present level. Equally the credit rating system, although still only embryonic outside the Birmingham area, must now be showing some positive benefits. And hire purchase managers themselves are being more selective. When hire purchase debt was increasing by leaps and bounds, hastily recruited managers were often pushed into new branch offices with-

BUSINESS NOTES

out proper training; the check in the rise in hire purchase debt has given the companies a chance to catch up on their training programmes.

Above all the fact that the companies in the Finance Houses Association have stuck to that organisation's "code of practice" and, with one notable exception, have acted together, is a sign that they are at least aware of the lessons of earlier debacles. Competition is now fierce, and the cut in purchase tax is unlikely to bring much relief, since the increased number of motor cars financed is expected to be balanced by the lower amount of finance needed on each vehicle. The present threat to the growth in the profits of the big hire purchase companies with public quotations is that under the pressure of competition from the smaller companies they will be persuaded to water down this code of practice—a first move was made in the selective paring of minimum deposits last month—before the credit rating system is fully ready to take its place.

THE ECONOMIST NOVEMBER 24, 1962 AIRCRAFT

Profitable to the End

BRITISH EUROPEAN AIRWAYS does not feel so much brotherly love for British Overseas Airways Corporation to be above pointing out how it manages to run its business better. In announcing that it has sold 15 of the 23 Viscount 701s that it put on the market several months ago, Lord Douglas takes the opportunity of saying that BEA has now sold 160 aeroplanes in the last 15 years, and it has done so at a profit. The sale of the Viscounts has been profitable, too; BEA is demonstrating that pioneering pays if one chooses to back a winner. The Viscounts have been written down from their cost price of £330,000 nine years ago to around £85,000, and BEA has managed to get over £110,000 for each of the 15—ten of which are going to the Brazilian domestic airline, VASP, and five

COAL IN EUROPE

Questions for the NCB

Nobody ever imagined that the Iron and Steel Board could survive exactly as it is once Britain joined the European Coal-Steel Community; but few people here imagined either how many questions the Six would raise about the constitution and operations of the National Coal Board. This has been somewhat embarrassing for Mr Heath, who had spent some Parliamentary time beforehand denying that entry into ECSC would make much difference to the nationalised British coal industry; but it follows logically from the provisions of the Treaty of Paris and the apprehension that continental collieries feel about British coal as a competitor.

In Luxemburg this week British negotiators had to meet a barrage of questions about costs in the British mining industry, which like other British industries has a sizeable proportion of its social charges carried through the budget and not through its own accounts. This in theory, at any rate, could reduce the labour costs that show in its accounting by comparison with the impact of labour costs carried wholly by German, French and Belgian coal companies. Mr Heath succeeded in getting the whole question of such costs and charges considered in detail before any conclusions are reached upon it.

Two questions that British visitors have been asked in Paris and Bonn respectively about the export policy of the National Coal Board may illustrate the underlying fears. One is the already expressed French fear that Britain might be pre-

pared to import cheap American or Polish coal itself while selling in Europe at prices aligned down to the landed price of American coal in Europe—a kind of entrepot trade. The only specific answer to this is that the Coal Board, as Mr Heath pointed out in Luxemburg last week, has no monopoly of coal imports into Britain; so it would not be free to operate such an in and out policy on its own account, though if imports into Britain were free for its present coastal customers there might be some temptation for the board to sell cheaply abroad rather than not sell at home.

The second, from Germany, is whether the Coal Board, at some future time, may not go through a capital reconstruction and be forgiven some of its capital charges, as the railways have been and BOAC would like to be. That, Bonn argues, might favour it artificially in competition with private coalowners in the Community. At present, of course, the Coal Board is charged interest on all its capital whether it is making profits or not, while coalowners abroad may or may not pay dividends on their ordinary capital (and may or may not write down assets that have lost earning power). The point is an interesting one; it illustrates both the difficulty of talking about fair competition between nationalised and privately-owned units in the same "community industry." But in the House of Commons this week it was stated that the Minister of Power and the Coal Board, after considering the idea of capital reconstruction, have firmly turned it down for the time being.

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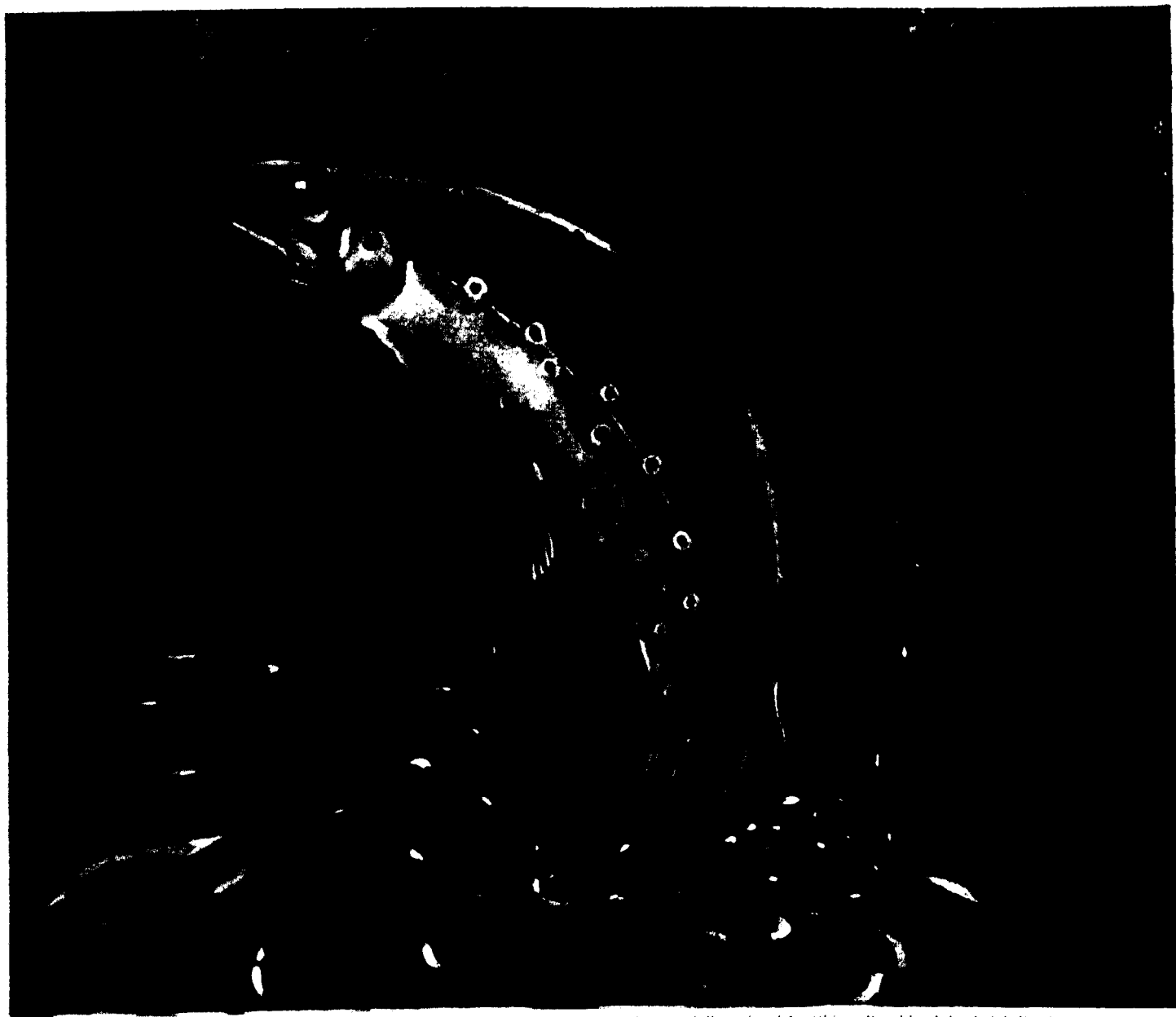
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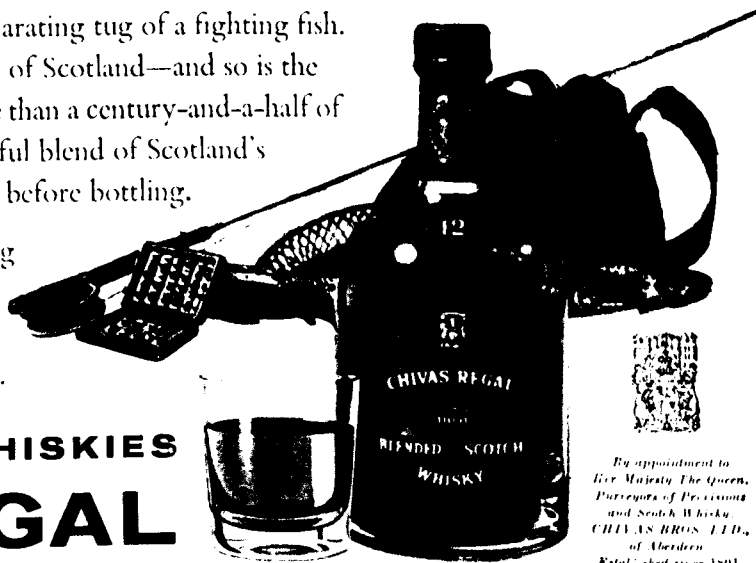


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THE ECONOMIST NOVEMBER 24, 1962

to Cambrian, the British independent in which BEA holds 33 per cent of the ordinary shares.

The Viscount is a relative newcomer to the second-hand aeroplane market, and BEA's batch of 23 was a big fleet to offer, when there are only about 40 for sale in the world: but most airlines to operate used aeroplanes have relied on piston-engined machines like the DC3, Viking and DC4 and DC6, and the chance to go modern with turbine-powered aircraft must appeal to those companies that can afford aeroplanes costing over £100,000 each. If they have the capital, the Viscount offers lower operating costs; that BEA should so far have sold few to British independents shows how parlous their financial state generally remains. And those airlines that cannot buy modern equipment will find it increasingly difficult to get business in competition with those that can.

GATWICK AIRPORT

Misty Future

MOST things about the history of Gatwick contain a streak of the irrational; British European Airways' decision to move all its services to London Airport—if the Minister of Aviation agrees—seems one of the more rational ones. BEA argues that it will save £250,000 a year if it uses one airport, and so avoids the complications produced by having its maintenance facilities at London Airport, to which aeroplanes have to be flown empty from Gatwick. Indeed BEA has had to be persuaded to make even its present limited use of Gatwick, though it was among the public advocates of the aerodrome's construction—against many objections on planning and economic grounds. Since it was built Gatwick has never made a profit; the loss has recently been around £1 million a year, with revenue less than half the day to day running costs. Last summer BEA provided about 17 per cent of airline traffic, so its move might add another £100,000 or so to the loss.

The trouble with Gatwick is that it has no real appeal to a big operator when it is used so little that passengers will usually have to go on to London Airport if they want to change planes. The limitation of the runway length to 6,000 feet that is inherent in the site means that long-distance airliners cannot take off there, though they can land. The concept of an aerodrome as an alternative rather than a supplement to London Airport was the main error—based on over-optimistic assumptions about the weather at Gatwick, a low-lying fog and frost trap.

An aerodrome that takes only aeroplanes that cannot land at London Airport will obviously not pay, so the Ministry has had its long and losing battle to force airlines to use Gatwick regularly. It is unlikely to admit defeat with BEA without a struggle, just when it was planning to spend another

BUSINESS NOTES

£4 million. If it relies on the airlines that will go willingly—and British United, which still operates many inclusive tours, is the only scheduled airline to have established itself at Gatwick—it will have a long and probably unending struggle to make it pay. But how can it force a publicly-owned airline to lose money to help it out of its own mistakes?

OVERSEAS TRADE

Pleasing Patterns

THE Board of Trade has published figures for world trade, exports of manufactures from the chief producing countries and indices for production in OECD countries and Japan in the first six months of this year. The detailed British trade returns for October were also issued this week and from this compendium of facts encouraging conclusions can be drawn. After running unchecked from the second quarter of 1960, the rapid expansion in world trade (excluding communist block exports) was halted in the final quarter of last year. The halt resulted from a drop in the value of exports by primary producers which continued to hold down total world exports in the first three months of 1962.

Primary producers' imports were unchanged between the third and final quarters of 1961. They dropped in the first three months of this year, though the steady rise in trade between the industrial countries continued. However, imports by primary producers from industrial countries recovered in the second quarter and the re-expansion in world trade during this period appears to be confirmed by a steep rise in exports of manufactures in the June quarter. But complete figures for the primary producers' trade in this quarter are not yet available.

Industrial production in OECD countries and Japan continued to rise at a rate of 8 per cent a year in the first half of 1962, a similar rate of growth to that recorded in the last three quarters of 1961. Total imports by industrial countries did not increase between the last quarter of 1961 and the second quarter of 1962, though trade between industrial countries was expanding. Stocks appear to have been reduced considerably in relation to the prevailing level of output in industrial countries which is put provisionally at 150 in the second quarter (1953 = 100) compared with an average of 140 in 1961. Some recovery in primary producers' exports is therefore overdue.

After lagging in the first quarter, Britain's exports of manufactures rose more strongly than those of Germany and France in the second quarter of this year compared with a year earlier. The relative improvement appears to owe little to the recovery of imports by primary producers because British exports to the sterling area fell by about 3 per cent in this period. In fact the recent recovery in exports to the over-

seas sterling area appears to be running out of steam. There has been no further increase in the past three months, confirming fears that the expansion in primary producers' imports in the second quarter might not continue, though the Board of Trade believes that the trend in British exports to the sterling area is still slightly upwards. Exports to western Europe are the strongest element in the expansion of Britain's exports, though in the past three months the improvement has occurred in exports to EFTA countries while there has been no further improvement in shipments to EEC countries. Last months' record exports rested, however, to a large extent on a sharp recovery in exports to a miscellaneous group of countries including non-sterling primary producers and Japan.

ITALY

Dividends Tax—and Liquidity Boost

Rome

INVESTORS in Italian shares will soon be taxed on their dividends at source, provided the chamber of deputies approves a bill sent to it by the senate. The bill provides for a withholding tax of 15 per cent to be deducted from dividends in lieu of personal surtax. Thus the impost is not strictly a new one. But Italians have not been in the habit of including share dividends in their annual tax returns, even though Italian shares are on a registered and not a bearer basis. So the withholding tax is expected to yield substantial additional revenue, which will be used to finance an increase in teachers' pay. Italian shareholders who can show that their personal rate of tax is below 15 per cent will be able to claim rebates of tax, and foreign investors should be able to claim relief under double taxation agreements. In order to discourage avoidance of the tax through capitalisation of reserves in bonus issues these will also be subject to tax, and the widespread distributions of scrip should diminish. One welcome effect of the tax for the bourses should be a revival of forward dealings, since the former tiresome obligation to register these periodically has now been removed.

In any case the adverse effect of the tax on market sentiment seems to have been more than offset by another round of measures taken by the Italian Treasury at the end of last week to expand credit and to push more funds into the capital market, in line with the new policy discussed in these columns last week. The government has decided to repay 192 billion (milliard) lire of nine year Treasury bonds when they mature at the end of this year. At the same time, the banks are to replace a small amount of their Treasury bills deposited with the Bank of Italy with medium and long-term government bonds. In a related move to keep down interest rates in the money market in order to encourage the channelling of funds into the capital market, the Italian authorities

have set a ceiling, at the Treasury bill rate, on interest rates paid by banks on deposits from other banks. Although inter-bank deposits have been officially discouraged since the end of the war, they grew to 1,150 billion lire at the end of 1961. Because such deposits were not recognised formally they were exempt from interest rate regulations, and the big banks out-bid each other in competition for the funds of the many small banks and financial institutions, thus exerting a general upward pull on money rates and at the same time concentrating the granting of credits still more among the large banks. The new measure is officially designed to encourage the smaller banks to put funds into medium-term securities and so to the productive sector.

SHIPPING

Buying British

THE P & O Group has successfully concluded an agreement with Texaco Panama for the time charter of four large oil tankers, and as a result it is to place contracts totalling £11 million with British shipyards. Four ships will be built—three of 55,000 and one of 85,000 dwt—but the names of the shipyards that are to build them have not yet been announced. The tankers will be operated by P & O, and will carry crude to the new Regent refinery at Pembroke. They will be delivered to Texaco in 1964-65 from when the time charters will extend for ten years. P & O said that the contracts were awarded in the face of "stiff competition" from other British operators.

The stiff competition in the tanker trade has been showing signs of easing in the past year. But this contract is a sign that any slackening will not much help owners of small, old tankers, many of which have had to be laid up. And the circumstances that favour big, new tankers favour size and efficiency in other sectors of shipping. Court Line recently sold five of its nine tramps to India for £1.2 million and is prepared to sell two of the four that remain. It is now seeking long term charters for bulk carriers and intends to build big ships for the charters. The chairman, Mr J. P. Philipps attributed the need to sell the ships to a "catastrophic" fall in freight rates and increased operating expenses. The company is looking into many fields, including oil, for its charters and is thinking in terms of ships of about 80,000 tons.

GERMAN COAL

Black Flags on the Ruhr

Düsseldorf

ACADEMIC discussion about the energy problem in Germany took on a note of drama last week-end. With black flags—the traditional symbol of revolutionary unrest and discontent ever since the early thirties—

BUSINESS NOTES

more than 2,000 miners marched through the streets of Recklinghausen, one of the main mining towns of the Ruhr.

They were out to protest against the intention of the Ewald Kohle company (owned by the Federal Government) to restrict production in its "König Ludwig" pits. The demonstration was not, of course, spontaneous but had been carefully planned and staged by the miners' union. The union's boss, Heinrich Gutermuth, in a mass meeting afterwards, directed bitter attacks against the Federal Government in general and Dr Erhard in particular—attacks which were accompanied by angry cries of "Resign" and even "Hang him."

Herr Gutermuth was on good ground when he proposed some detailed measures that might soften the hardships of all pit closures. He demanded that before any new closure the eleven "working Saturdays" should be abolished—shifts are still worked on Saturdays when another day in the week is a public holiday. By that measure, Gutermuth estimates, coal production could be reduced by five million tons a year without any noticeable hardship. Moreover, he again demanded a reduction of the pensionable age for miners working below ground from 60 to 55 years—this would immediately reduce the number of faceworkers by 15,000, and so relieve the labour market. As the special social position of miners is generally recognised in principle, these demands can be regarded as not unreasonable in themselves.

But he was on less solid ground, however, when he accused the Federal Government of having no "energy conception" at all. Certainly the big problem of maintaining the free play of supply and demand in the energy sector, while maintaining coal as a national source of wealth, has not really been tackled, still less solved, by the Government. The talks which took place last Tuesday in the Ministry of Economics with representatives of coal and oil are still wrapped in a cloud of mystery and there is still no indication of the detailed measures promised in the Bundestag debate of May 16th, which should help to maintain coal production "at about the present level." But one of the measures forecast in May, the rationalisation of production, has been tackled meanwhile by the mining companies themselves, without public help; and it is in the course of this rationalisation that measures like those in Recklinghausen had to be carried through. And the miners' union seems to be opposing just those measures which, by general consent, cannot be avoided if German coal is to be put on any sound economic basis.

MAIL ORDER

GUS At Large

GRAT Universal Stores has made its first foray on to the Continent by buying, for £270,000, a 75 per cent interest in a leading Dutch mail order firm, N.V.

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Wehkamp's Fabriekskantoor. This move was foreshadowed two months ago in the chairman's annual statement, when Sir Isaac Wolfson said that it would give GUS a "strong foothold" on the continent. The firm was formed in 1955 by Mr. G. H. Wehkamp, who will remain on the board as managing director: it operates from a large modern warehouse in North Holland and has been expanding rapidly. GUS intends to introduce a number of British lines as soon as possible and, if Britain enters the common market, a section of the GUS mail order catalogue will be added to Wehkamp's. GUS is confident that the acquisition will provide it with a "firm and profitable" foundation for the development of its mail order activities in Europe. Mr Wehkamp will have the help of GUS's mail order management and the benefit of its "energetic interest" in the new company.

GUS is not the only company looking for mail order openings on the Continent. The two American giants in this field, Sears Roebuck and Montgomery Ward, are reported to be searching for what GUS has found—a foothold in an expanding market. The mail order business is less developed on the Continent than in Britain or the USA. Where it is advanced, in Germany particularly, there is little room for improvement except on the British or American pattern of rationalisation into larger units. While Germany has over 2,000 mail order houses, France has only two or three of any size and GUS has been reported as moving into this market by taking an interest in the mail order side of the Printemps chain of shops. Holland lies between these extremes and Wehkamp must be a palatable buy—a good, small firm in a developed, but not saturated, market.

CAR MART

Kennings' Counter Bid

SHAREHOLDERS in Car Mart must be grateful to Bristol Street Motors for setting off the bidding for their company. The counter bid from Kennings now values their shares at 25s. 6d., compared with a low point of 11s. 3d. this year and 13s. 3d. before Bristol Street offered 18s. 6d. The offer from Kennings tries to minimise the addition to its equity; for every five ordinary shares in Car Mart it offers two 5s. ordinary shares and two £1 cumulative preference shares plus 40s. in cash. The Car Mart directors are recommending shareholders to accept the bid; they forecast that profits for 1962 will be about £250,000 before allowing for a loss of £35,000 on stocks, and they will pay a total dividend of 20 per cent, against 22½ per cent. Kennings hopes at least to maintain its dividend at 20 per cent for 1962-63.

If the bid goes through, Ford will buy Car Mart's subsidiary Dagenham Motors, a Ford main dealer in the London area, for £14 million in cash. Car Mart's directors realise that it is desirable to dispose of this

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company, as selling two rival makes may involve some embarrassment; and Ford might not like to have its cars handled by what will be the biggest BMC dealer in the country. If it buys Dagenham Motors, Ford will invite the present executive directors to stay in office and, like Rootes, it will then have its own retailer.

DOMESTIC APPLIANCES

Doing Better

COMPETITION seems to have had a tonic effect on the market for washing machines; deliveries in the third quarter of

this year were worth nearly 30 per cent more than a year before, while those of refrigerators and most other appliances remained pretty depressed. But it was the export side that rose most sharply—to 70 per cent above the 1961 level, even if this still means less than 20 per cent of all business—and Mr Bloom has only recently visited France to develop this side of his activities. The home market took over 20 per cent more machines than last year, when sales were depressed by the "little budget" in July; but the biggest increase came in September this year, when deliveries last year had reached their peak. Retailers do not seem to have been put off stocking up with machines for the autumn selling season

by fears of competition from direct selling; and only Hoover had by then launched its low-priced machines to meet competition from Rolls. Hotpoint introduced its 64 guinea machine this week. Of the other major appliances, deliveries of vacuum cleaners rose five per cent and those of cookers were unchanged. It is a static market in cookers that Hotpoint has decided to re-enter. But electric heating goes on prospering, especially in radiators and tubular-type heaters.

Imports of all sorts of appliances have remained surprisingly steady at around £2,300,000 for this quarter over the last three years; but there was a big fall in imports of refrigerators after 1960, though trade in washing machines has dropped little—most refrigerators come from Italy and washing machines from Holland. Electric heaters are the booming import—perhaps a reflection of design standards. Though the British industry is comparable in size at least to that of other European countries, they are all eclipsed by the Japanese—their production of over two million washing machines and refrigerators is more than double that in Britain. Fortunately for the British industry, transport costs might be rather high.

MOTORS

Still Waiting

CAR production fell about 12 per cent between September and October to a rate of 23,197 a week. About a third of the fall was accounted for by Ford's strike at the end of the month; the rest represents the industry's preparation for winter. BMC reduced output by rather more than 1,000 a week, though increasing that of the Morris 1100, while the other companies all seem to have trimmed production too. Production is still about 25 per cent higher than it was a year ago, however; and though demand at

At the closing meetings of its 20th session in Geneva last week, the General Agreement on Tariffs and Trade did not take the General Assembly's decision in New York to hold a United Nations conference on trade and development late in 1963 lying down. This conference had been agreed on in the Economic and Social Council meetings this summer in Geneva, and was planned to be held in 1964. But when some 30 under-developed countries submitted a resolution to the general assembly to put the date forward to 1963, Gatt felt censured. Its secretary general, Mr Wyndham White, took up the challenge and asked those under-developed contracting parties who had signed the New York resolution whether this meant dissatisfaction with Gatt's efforts to help the trade of the less-developed countries, and whether the work of the committee dealing with the expansion of trade of these countries should be discontinued. Delegates from Africa and Asia were taken by surprise; consternation was followed by the buzzing of teleprinters as obviously the trade and foreign ministries of these countries seemed to have been out of step.

Within hours kind words for Gatt were coming in. But things are not the same any more, and a feeling of urgency now seems to inspire Gatt's programme. After all, the items on the United Nations conference on trade and development have long been on the agenda of Gatt. Three years' painstaking work by experts had led to the identification of practices that are most objectionable to the trade of the under-developed countries and thirty-five trade ministers last year had pledged themselves to do everything to remove them. The present malaise is the consequence of the gap existing between intent and performance.

Gatt's growing membership of less-developed countries means that these will soon have a voting majority and they are dissatisfied with what the organisation has done (as distinct from said) so far on such

subjects. For the first time these nations have met frequently as a closed group and discussed joint policy. They realise, of course, that with 63 per cent of world trade in the hands of the western industrial countries, of which nearly a third represents imports from the non-industrial areas, only 6 per cent of world trade among themselves and 1 per cent with the communist countries, all the trumps are in the hands of the countries who said in New York that they would not participate in the world trade conference of 1963. These countries—Britain, the United States, and some of the Six—have plans of their own.

It was therefore decided not only to hold another ministers' meeting in Geneva early in 1963, but also to put on the agenda a most ambitious "time-table" solution (promises without dates attached to them no longer work) which has been proposed by eighteen of the less-developed countries. This is a seven-point programme which foresees:

- An immediate standstill agreement on tariff or non-tariff barriers erected against the export trade of less-developed countries;
- The removal of quantitative restrictions on imports from these countries within a period of one year or in hardship cases at latest by December 31, 1965;
- Duty-free entry to tropical products (ending preferences in these goods);
- Elimination of customs tariffs on primary products originating in less-developed countries;
- The reduction or elimination of tariff barriers to exports of semi-processed and processed products of at least 50 per cent over the next three years; and
- The progressive reduction of internal charges and revenue duties on goods from less-developed countries with a view to their elimination by December 31, 1965.

An agenda for this meeting will be prepared by the Gatt council within a few months and trade ministers could meet as soon as April of next year giving their response to the double challenge—from the under-developed world and from the United Nations.

THE MOTOR INDUSTRY

The current issue of the quarterly research bulletin "Motor Business" contains articles on:

THE BRITISH MOTOR INDUSTRY IN 1963

A FINANCIAL AND ECONOMIC ANALYSIS OF THE SWEDISH MOTOR INDUSTRY

THE AUSTRALIAN MOTOR INDUSTRY

THE OWNERSHIP OF THE WORLD VEHICLE COMPONENTS INDUSTRY—II

"Motor Business" is available from:
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Monetary Regulators of Europe

THE Treaty of Rome charges the monetary committee of the Community to formulate opinions for submission to member states on their monetary policy; and before long, as envisaged in the action programme proposed by the Commission and discussed in these columns three weeks ago, these "opinions" will become "recommendations," and perhaps more. Already, in the words of another monetary document published in Brussels this week and prepared by the monetary committee itself*, "these opinions contain the essential elements of the possible recommendations . . ."; but (as could hardly be disputed) these recommendations have the greater practical weight "if they take account of the actual conditions and possibilities" of monetary policy in the several countries. One has to know what one is talking about.

So the members of the monetary committee, who spend most of their time as officials of their own central banks or treasuries, first undertook the compilation of this detailed report outlining the instruments of monetary policy and the background financial structure in the six countries, prefaced by a comparative discussion looking at the six countries together.

This descriptive material is highly valuable in itself—there is certainly nothing else like it between two covers. And, while the report does not attempt to delve too deeply into policy questions, and seeks no parallel with the Radcliffe report in this sphere, it is by no means devoid of policy implications; it allows itself a few quiet comments and qualified recommendations; and others are implicit in the analysis itself.

The differences in monetary techniques among the Six are, on the whole, not major ones; and they have become somewhat less in recent years and the monetary committee sees no need for them to be harmonised completely.

Monetary Authorities. Relationships between central banks and governments are in each case laid down by statute; but, as the report wisely notes, these relationships are more complex than they formally appear. The German Bundesbank has perhaps the greatest formal independence, with its specific task (of which many aggrieved German bankers are now reminding it) of "safeguarding the currency." In France, monetary control is spread over an intricate web of different institutions, but the report notes that the governor of the Bank of France has his place in most of them. In Italy, the overriding body on monetary policy is an inter-ministerial committee. In Holland, there are detailed provisions for ministerial directions to the central bank—but the bank

exercises a weighty influence in practice. In Belgium, there is some real decentralisation as open market operations are undertaken by the important *Fonds des rentes*.

"Structural Conditions." Monetary policy, as will be familiar to English readers, is closely confined by the impact of external trading and financial relations. Thanks partly to the Euro-dollar, there is not much scope for variations in money market rates throughout Europe now. France and Italy have notably greater freedom than other common market countries (or Britain) in this respect since their foreign economic relations are of relatively smaller importance—and, further, this relative insulation has been enhanced by a less liberal official policy on the inflow and outflow of capital. Differences in the relative importance of liquid assets in the domestic economies, in so far as they can be roughly assessed, are surprisingly small—though Belgium stands out as a country in which currency and coin remain more important in the money supply than bank deposits. The banking structure ranges from the all-purpose banks of Germany to the English-style deposit banks of the Netherlands and the specialised institutions of France and Italy which leave much medium-term and long-term credit business to state or public institutions.

Bank rate policy. Refinancing of credits by the central bank at a special rate and often subject to quantitative limits is practised in each country, through either rediscounts of bills, or loans on security of bills or bonds. Everywhere, too, it is backed by other weapons, but its importance varies. In France the banks make permanent use of rediscounts, which extend to the important medium-term credits; though in the past year or so the banks have been financing rather more of their credits themselves, and this move has brought France a little closer in line with other countries. France, and Belgium, also apply selective discount rates, which favour export paper; and selectiveness is still more important in official guidance of the distribution of credit. In each country changes in Bank rate are followed fairly closely by changes in market rates; the report judges that these have their effect in restraining and stimulating business as desired, but chiefly because Bank rate is at

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the same time a signal of official policy.

Open Market Operations. Official operations in securities to regulate credit and liquidity are notably less widespread and less effective in the Six than in the Anglo Saxon countries. Operations by the Bank of France are limited by statute to short-dated securities; and the development of a money market is inhibited by the central banks' large credits to the commercial banks, through which all variations in liquidity needs tend to be absorbed. Belgium is the only country of the Six where open market policy extends to long-term securities—though, since the report went to press, the authorities in Italy have announced their intention of entering this sphere. The German Bundesbank has been active in open market operations in bills, but these operations are solely between the central bank and the commercial banks, and, in the absence of participation by outside investors, they have an effect only on rates—fixed by the Bundesbank itself—and not on the amount of liquidity left to the banks. In Holland, by contrast, the market is larger and wider, and open market operations have their effect on bank liquidity—though they are still confined to the short-term market. The report points specifically to the greater powers of control that would follow both from a broadening of money markets through the participation of non-bank investors and from operations in long-term securities.

Direct Liquidity Controls. In default of such regulation of liquidity through the market, the main regulator has in practice been the freezing of bank funds in reserve ratios, together with some use of rediscount ceilings. A newer weapon, fashioned by Germany and followed to some extent by Italy, is official facilities for forward swaps, which provide some small insulation for domestic money rates from international influences. On the form of reserve ratios, the report expresses a slight favour for *réserve classiques* in the form of minimum liquidity ratios and compulsory deposits with the central bank, rather than minimum investments in securities of the state—a system which can defeat its purpose if it makes the state more spendthrift. But the report recognises that the system has not had this effect in the past three years in France. In practice, both Belgium and France have recently moved rather nearer the practice of other members of the Six in this sphere too.

LIQUIDITY IN 1960

	Money Supply* % of GNP	Notes and coin as % of Money Supply	Secondary Liquidity† % of GNP	Exports of goods and services, % of GNP
Belgium....	36	56	25	34
France.....	34	42	21	15
W. Germany...	18	41	25	25
Italy.....	37	36	30	16
Luxemburg...	43	41	41	80‡
Netherlands...	27	45	38	50
Britain.....	32	36	n.a.	23

* Cash and deposits on current account. † W. Germany and Belgium, almost entirely time and savings deposits; other countries, short-term paper issued by the Government and certain public bodies is included. ‡ 1959.

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home is following the usual seasonal pattern, this means that October was quite a good month. The motor show, and more particularly new models, gave their usual stimulus to sales; Ford came close to its previous record for home sales, thanks to the Cortina. The cut in purchase tax has yet to produce any marked improvement in demand; this is not entirely surprising, for anyone deciding to buy a car now is likely to want to postpone delivery until the new year. But the industry is becoming slightly more cautious in estimating the increase in demand it can expect next year, and it does not seem to be planning to raise output yet.

Exports rose slightly in October to 47,256. More cars went to most of the important European markets, Australasia and the United States, but there was a sharp fall in shipments to Canada—where the higher prices of imported cars are hitting their sales. Exports of commercial vehicles increased too, and for the first time this year were higher than they had been a year before. Production was the same as in September and slightly lower than a year before. With the new models coming on the market at such competitive prices in Europe, the prospects for car exports should be as good as the prosperity of Europe will permit.

NATURAL RUBBER

Rubber Riddle

ONE telling charge formerly levelled at natural rubber by manufacturers, who have turned increasingly to synthetics, was that there was not enough of it. But for the past three years the talk has been of surpluses and projections into the future suggest a downward tilt in prices. Some rubber growers seem to have been worried

RUBBER ESTIMATES*

	('000 long tons)	Provisional estimate	Second estimate	Third estimate
1961:—				
Production.....	...	2,035	2,018	
Consumption.....	...	2,037	2,050	
Stockpile sales....	...	30	32	
Apparent surplus....	...	28	Nil	
1962:—				
Production.....	2,063	2,145	2,110	
Consumption.....	2,040	2,130	2,190	
Stockpile sales....	...	70	66	
Apparent surplus....	...	85	Nil	
1963:—				
Production.....	2,220			
Consumption.....	2,175			
Stockpile sales....	66			
Apparent surplus....	111			

* Source: International Rubber Study Group.

by this into a frame of mind where they snatch at low prices for forward sales where they would normally hold back. Manufacturers had good reason to allow their stocks to fall in relation to their output apart from the assurance of adequate supplies. Until Cuba, buyers were growing increasingly insensitive to political crises. The introduction of stereo rubbers reduced their dependence on natural rubber for some purposes,

BUSINESS NOTES

and stockpile releases gave additional assurance as well as causing persistent fears that the rate of disposals might be accelerated. The strong pressure on manufacturers to reduce stocks whenever safe to do so combined with the sapping of producers' confidence produced the listless market earlier this year which failed to respond less vigorously than normal to the relative scarcity of readily available supplies earlier in the year.

But at that time exaggerated fears of an economic crash of 1929 dimensions were also widespread, motor production in the United States was not showing the exuberance it now displays and synthetics appeared to be making exceptional progress at the expense of natural rubber. However, with the invasion of India cleared up this week—at least to the markets' satisfaction—rubber at 23½d. a lb for supplies of spot still showed a steady underlying improvement since the dip to 21½d. in August. For reasons peculiar to itself, the rubber

SHORTER NOTES

The Chancellor of the Exchequer promised in a parliamentary answer this week to "review the whole purchase tax structure" in his April budget—a promise which some people have interpreted as portending a further compression of the range of rates, and notably a general reduction of the top 45 per cent rate from which cars were released on November 5th.

Production of man-made fibres reached a new peak in October. Home demand showed a seasonal expansion and exports, particularly of filament yarns to Europe and communist countries, remained strong. Output of both filament yarns and staple fibre set new records; total production rose to 57½ million lb in October, a rise of 5 million lb compared with a year earlier. Production in the first 10 months of 1962 was 511 million lb, against 468 million lb in the corresponding period of 1961.

The Restrictive Practices Court has said that the members of the Permanent Magnet Association need not, after all, allow the Registrar of Restrictive Practices access to their records and give him annual details of trading profit and capital employed in making magnets. These were to have been conditions of keeping their price agreement, as ruled by the court last June.

Austria, which has so far received loans amounting to \$91 million from the World Bank and also has \$7½ million outstanding with the International Monetary Fund, has agreed to the World Bank making two dollar bond issues totalling \$10 million in Austria. This is the bank's first borrowing in Austria and the first non-schilling issue to be publicly offered in the Austrian market since 1930.

market is exceptionally sensitive to purchases in Singapore by China. A recent spate of buying by China after a lapse of nearly two years has helped to push up prices.

The International Rubber Study Group has confirmed the markets' appreciation of the natural rubber balance by revising its estimate of a surplus of natural rubber in 1962 into a small shortfall of 14,000 tons after taking into account stockpile releases of 66,000 tons. The study group's original forecast of a surplus in 1961 was also a misjudgement. The study group is again provisionally forecasting a surplus for 1963, but it suffers from the common defect of international bodies of its kind that its members' estimates might be suspected but not suitably corrected. It can have only the haziest notion of likely communist demand, which has helped to swallow the anticipated surpluses, and also has indefinite quantities of released stockpile rubber to contend with.

British Hydrocarbon Chemicals, the joint BP/Distillers company, is to increase the capacity of its phenol plant at Grangemouth by 7,000 tons a year, from 13,000 tons. The increase will be brought about by improvements to the process and plant modifications. Phenol from the plant, the only one in Britain to use Distiller's cumene process, is marketed by Distillers.

The placing has been arranged for £2.7 million of 5½ per cent debenture 1980-85 in the Alliance Trust Group. For the £2 million debenture of the Alliance Trust, payments are split as to £25 on November 30th and £63 on February 28th. For the £700,000 of the Second Alliance debenture a single call will be made on November 30th.

World consumption of wool fell 3 per cent in the third quarter of this year compared with a year earlier. Adjusted for holidays, wool usage in ten leading wool consuming countries also fell by 3 per cent between the second and third quarters of 1962. The biggest falls occurred in Britain, Japan and Australia.

COMPANY AFFAIRS

Comments on pages 858, 859, 860 and 861 on:

British Motor	Rootes
Rover	BSA
S. Smith & Sons	Birmid Industries
Duport	Glaxo
Ultramar	Wiggins Teape
Beecham Group	Elliott-Automation
Tesco Stores	Copper Producers

STOCK PRICES AND YIELDS

Stock prices, yields and security indices on pages 862 and 863

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 864

* Les Instruments de la Politique Monétaire dans les pays de la Communauté économique européenne. Brussels, 279 pp., \$4. Expected to be available in English next month.

COMPANY MEETINGS

ROOTES MOTORS LIMITED

SEVERE REPERCUSSIONS FROM LONG UNOFFICIAL STRIKE

LORD ROOTES ON WELCOME PURCHASE TAX REDUCTION

The forty-fourth Annual General Meeting of Rootes Motors Limited will be held on December 14th in London.

The following is the circulated statement of the chairman, Lord Rootes:

I regret to have to present to shareholders the Accounts showing such an unfortunate loss for the year ended July 31, 1962. The chief contributory factor was the long unofficial strike, with which we were faced during the year. This will not, of course, be news to shareholders and I would remind them of my comments in my Statement last year as to its financial effect; also of the Notice issued by the Board when paying the dividend on the preference shares in August last.

Apart from the direct effect on both our Home and Overseas Companies during the period of over three months of virtually complete closure, there were also the consequential losses inevitable during the process of re-establishing full production. Unfortunately during that time we encountered considerable difficulties, particularly at one of our major suppliers. To some extent this situation was aggravated by labour disputes not connected with ourselves. As a result, we were unable to produce at a rate sufficient to take full advantage of the pent up demand for our products.

It will be realised from what I have said that the financial repercussions, both direct and indirect, of this major strike were very severe. We, as a board however, are strongly of the opinion that the action we took as a matter of fundamental principle was correct. We have endeavoured to encourage the best relations with our workpeople and on their part we feel they have responded. Nevertheless, from the point of view of our industry, we can only express regret that effective discipline by the Trade Unions of their members has not yet been established particularly in the avoidance of unofficial strikes. Such discipline would be in the interests not only of competitive efficiency but also of the Trade Unions and employees themselves.

The Board wishes to record its very sincere thanks to our suppliers and dealers everywhere for their efforts and encouragement so generously given during and after this difficult period, particularly as it is realised that they too suffered financially and otherwise.

In spite of the difficulties I have referred to, we produced during the last seven months of the financial year more units for both the Home and Overseas markets than in the same period of the previous year, and, in the case of exports,

I am glad to say these were over 20 per cent higher.

OVERSEAS

So far as our own Overseas Companies are concerned, notwithstanding the absence of deliveries from the U.K. over such a long period, results, whilst inevitably disappointing, improved in certain territories, particularly in Australia, where we were able to take partial advantage of the more favourable trading conditions.

Strenuous efforts continue in establishing our business in Europe on a wider basis and, whilst the cost of these developments is at present high in relation to sales volume, steady progress is being made. We are confident that the sales of our products will greatly increase once the present political and economic uncertainties between the U.K. and certain of these countries are satisfactorily resolved.

In export markets generally the position is becoming increasingly competitive, and will continue to do so whether or not this country enters the Common Market. In these circumstances, any increases in our manufacturing costs are extremely critical. During the year under review, whilst it is true that the pace of inflation has been to some extent arrested, we in our industry have been affected by a recent national wage increase and a number of other increases in direct and indirect costs.

ACTIVITIES IN SCOTLAND

The extension of our manufacturing activities in Scotland is progressing well. The completion of buildings and the installation of plant and equipment are proceeding according to schedule, and we hope to announce the new model well before the end of this financial year.

It should be noted that the Accounts for the past year contain substantial charges connected with the development of this car and this expenditure will be an even greater burden during the current year to July 31, 1963. Subsequently, this model will, we are confident, not only become a contributor to earnings, but will greatly strengthen our dealer organisation throughout the world.

The large additions to the Fixed Assets shown in the Consolidated Balance Sheet also reflect our activities in Scotland and the assets of new subsidiary companies acquired during the year, as referred to in the Directors' Report.

The results for the year under review give rise to a substantial recovery of United Kingdom taxation, which has resulted from subvention payments between Companies in the Group.

The Directors have carefully considered the payment of a dividend on the Ordinary and "A" Ordinary shares and, in all the circumstances, propose that a dividend of 4 per cent, less income tax should be paid, this being adequately covered by the reserves of the Company.

CURRENT PROSPECTS

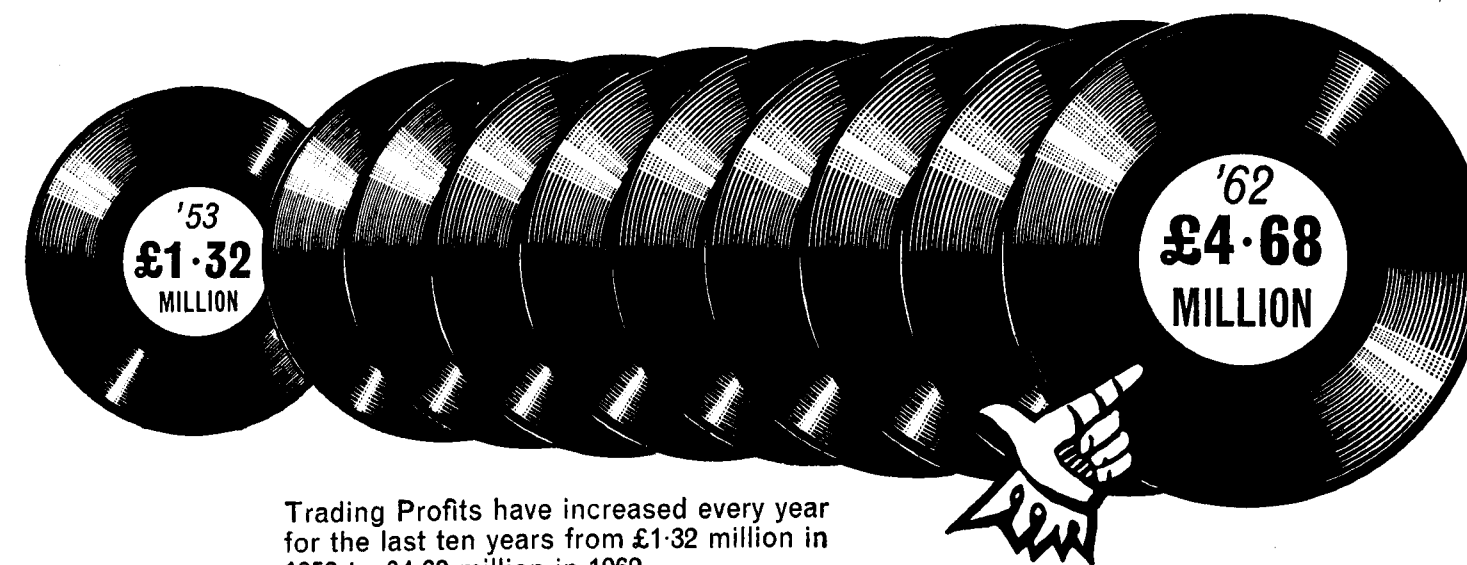
So far as the prospects for the current year are concerned, I would be wrong if I did not sound a word of caution. We have an excellent range of both cars and trucks; we are satisfied they are technically of a high order, can stand up to world conditions, and are of the best standards of quality, reliability and safety. We are well established in a great many markets of the world. However, owing to the highly competitive nature of the motor business, margins are small. In export markets, demand generally is good, but not as buoyant as we would wish. Undoubtedly, a general livening of international markets and a return to confidence would be welcome.

Two weeks ago I should have said that conditions at home were similar, as sales had recently been somewhat disappointing. However, on November 5th the Government announced a major reduction in purchase tax. It is early days to judge, but there are already signs of considerable improvement. Unless some major recession occurs, this will mean better employment at home and, as our manufacturing capacity becomes more fully employed, an improvement in our competitive position in export markets.

I do hope the lesson has been learned that taxation of the motor car industry and its products had been carried to the point where the industry was being gradually throttled out of competitive existence. Yet its welfare is not only of great importance to our country's economy, since it is the greatest contributor to the nation's export income, but it profoundly affects the welfare of a host of other industries.

Until recently, the British motor manufacturer has been operating at a great disadvantage compared with his main competitors overseas by reason of the artificial restriction of the home market. Even now, the motor car is still in a high grade of purchase tax and the rate here is considerably higher than that of our main competitor—Germany. However, this relaxation in purchase tax is an important step in the right direction, for which we are most grateful to the Chancellor of the Exchequer.

Finally, I would like to thank our staff and employees for their loyalty and support during a most difficult period.

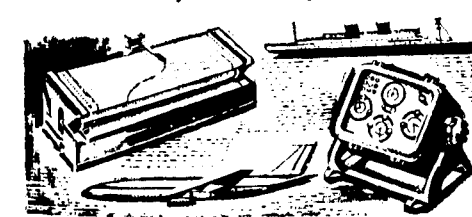


Trading Profits have increased every year for the last ten years from £1.32 million in 1953 to £4.68 million in 1962.

A decade of records

Sir Edward Lewis (Chairman) at the Annual General Meeting of Decca Limited:

Since the last meeting the name of the company has been changed to Decca Limited, a holding Company with three main operating subsidiaries, The Decca Record Company Limited, The Decca Navigator Company Limited and Decca Radar Limited. Formed in 1929, just before the great slump, the Company survived the deluge and during the thirties the foundations of the great record business you own today were laid.



The expansion of Decca into new fields was effected by a process of evolution and not as the result of take-overs. This I believe to be one of the reasons for our strength.

The balance from Trading account amounts to £4,683,000 and shows an increase of £680,000 over that of the previous year.

Profit before taxation amounts to £2,930,000 an increase of £620,000 over that of the previous year. After charging £1,447,000 for taxation (last year £1,060,000) the Net Profit amounts to £1,482,000 an increase of £233,000.

These results, which are easily the best in the Company's history will, I am sure, be regarded as most satisfactory particularly as they were achieved in a year in which trading conditions were not in general particularly bright. Over the years we have benefited from the process of evolution to which I have referred. At no period

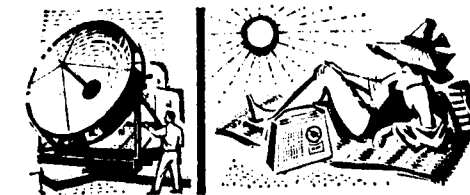
have all sections shown improved results at the same time. But year by year in the aggregate the consolidated profits have increased. So it was last year, Radio and Television that had suffered severely in the slump of the previous year made a substantial recovery.

Consolidated turnover for the year to March 1962 at £27,600,000 compared with £24,500,000. Exports at £8,230,000 were over one million pounds greater than those of the previous year amounting once more to about 30% of the total sales.

We are recommending a Final Dividend of 1.9d less tax making a total for the year of 2.6d per share less tax, an increase of 2d per share on the previous year.

No striking change took place in the record business during the year under review. We have fully maintained our pre-eminent position in the recording art.

We are still handicapped by being assessed at the top rate of purchase tax. We see no justification for our industry alone in the entertainment field being singled out for this onerous taxation, particularly when its great contribution towards the cultural life of the country is considered.

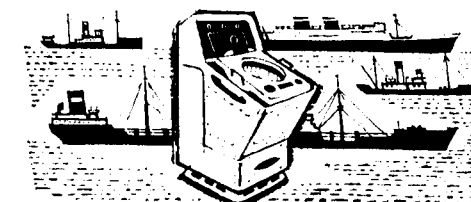


The year was a good one for the Navigator division. The steady expansion of the Marine business continued. Over 7,500 ships had been equipped with the Decca Navigator or contracted

for. The net increase on the year of some 900 ships is particularly satisfactory in view of the depressed state of shipping.

We have continued our efforts to expand the use of the systems in the air.

Decca Radar also increased its turnover. Orders for marine fittings totalled more than 1,250 of which 85% were for export.



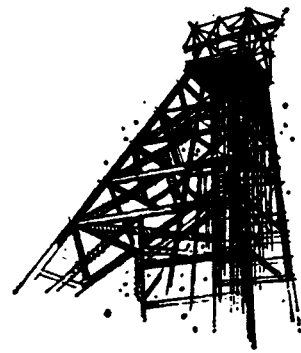
Since the close of the year business has continued at a very satisfactory rate. Total orders for Marine Radar have now reached nearly 13,000 of which True Motion orders account for 1,000 and River Radar about 650. Sales of defence radar in the United Kingdom and throughout the world expanded and we have been entrusted with a very substantial number of major military and civil aviation projects.

We are continuing our efforts to increase efficiency for it is only by such means together with increased turnover that we can hope to meet competition and provide the large sums necessary for research and development.

Although the record business in this country currently is not as buoyant as it has been and though television continues in the doldrums we anticipate another satisfactory year's trading. We continue as in the past to use all our endeavours to maintain our record of progress and we face the future with confidence.

The report and accounts were adopted.

DECCA HELPS SO MANY PEOPLE...IN SO MANY WAYS



RESPONSIBILITIES IN A CHANGING AFRICA

R.S.T. GROUP CHAIRMAN LOOKS TO THE FUTURE

Sir Ronald L. Prain, O.B.E., Chairman of the R.S.T. Group of Companies, in his annual statement to shareholders dated October 18, stated:

The year which ended on June 30 last was a significant one for the R.S.T. Group for three reasons, namely: the merger between the Rhodesian Selection Trust and Roan Antelope companies; the announcement of the decision to open up the Chambishi mine; and the completion of the expansion scheme at Mufulira.

The reasons which led the directors of R.S.T. and Roan Antelope to recommend the merger were fully set out in a circular last January, so I will not repeat them here. I would, however, stress that the merger has not only consolidated the community of interest within the group, but has strengthened the financial position of the group as a whole and has opened up a potential which I am certain could not have been achieved in any other way in today's circumstances. It will enable former shareholders of the Roan Antelope company, now in voluntary liquidation, to participate in the growth of R.S.T. which now controls all our producing mines and undeveloped properties.

The merger was approved by holders of 99.7 per cent of the R.S.T. shares voted and 97.8 per cent of the Roan shares voted, and I should like to take this opportunity to express the thanks of the directors to the shareholders of both companies for this support which enabled the merger to be put into effect as from March.

It may be of interest to record that shareholders in R.S.T. now number approximately 42,000.

In May we announced our decision to develop the Chambishi mine to produce at the rate of 25,000 long tons of copper per annum in 1967, with smaller tonnages becoming available before then. I have more to say about Chambishi later, but should like to mention here that this development represents the first fruits of the R.S.T./Roan Antelope merger.

The Mufulira expansion scheme which was completed in the past year is one of the major expansion projects undertaken in the copper producing industry in recent years, increasing the capacity of Mufulira from 100,000 to 150,000 tons of copper a year, the benefits of which are already beginning to be felt.

Throughout the year the group operated at a rate of production which was voluntarily curtailed to 90 per cent of capacity, the reasons for which I explained at some length last year. Production of copper from the group's three mines on this basis was 209,176 tons, compared with 202,041 tons in the previous year.

The fact that our total production was some 7,000 tons more than in the previous year was due to basing our production rate on the higher capacity, although during the previous year the

10 per cent curtailment was in effect for only nine months.

Since the end of the financial year we have felt it desirable in the interests of the world copper industry to increase our voluntary curtailment by a further five per cent. Further restrictions have also been announced by other world producers, some by cutting production and others by withholding copper from the market.

Group results

The consolidated profit for the year, before taxation, amounted to £12.35 million. In giving effect to the merger, the accounts show for the first time the combined results of all the companies in the group. Because of this the figure of £7.74 million for the previous year is not comparable as it is exclusive of the profits of the Roan company for that year which were, of course, reported separately to the then shareholders of that company. Of the above-mentioned profit, £11.37 million was accounted for by profits on sales of copper, and the balance of £980,000 came from net interest and net sundry revenue.

Development of Chambishi orebody

The decision of the board of Chambishi to proceed with the development of this orebody was announced on May 21 and the announcement was circulated to shareholders. I should, however, here repeat the salient details of this project and the reasons which have led us to proceed with this development at this time.

The mine, whose published ore reserves are 35 million short tons at an average grade of 3.37 per cent copper, will be started as an open pit from which will be extracted ore first of oxide, and then of sulphide, mineralisation. Capital cost of development is estimated at £7.5 million of which about £1 million has already been spent in past years on geological investigations. The additional capital will be subscribed by the existing shareholders of the Chambishi company and in the case of R.S.T. the money is expected to be found from its internal resources.

The factors which we have had to take into account in considering Chambishi are fundamentally the same as those which confronted us in 1956 when we decided on the Mufulira extension, namely the outlook for the copper market, the political development of the country in which we operate, and the provision of finance.

On the first of these we continue to have confidence in the development of the copper market on a world basis, and I should like to take this opportunity of repeating what I have said elsewhere, that this is essentially a long view, and is quite irrespective of short-term fluctuations which may develop from time to

time in the industry. We also have confidence in the orderly development of the country. The position in regard to the provision of finance is very different from what it was in 1956. Overseas investors are more cautious, to the point in fact of being unwilling for the moment to invest fresh capital in this part of the world, and it is only the greater flexibility which the merger of the Roan Antelope and R.S.T. companies has given to the entire group that has enabled us to proceed with the development of the Chambishi mine.

The development of Chambishi has been placed under the management of the Chibuluma company. In the past the interests of Chambishi have been under the supervision of R.S.T. Mine Services and I would like to pay tribute to that organisation for the efficient geological work and engineering studies which it has carried out over the years.

By the end of September the Chambishi site had been cleared of all bush and timber in preparation for the open pit.

Copper market

The price of copper was steady throughout the year. On the London Metal Exchange the variation between high and low was £15 per ton compared with a range of £44 in the previous year, and £70 in the year before that. The actual range was between £222 and £237 per ton. During the latter part of the year and up to the time of writing the price was virtually unchanged at £234 per ton, while in the U.S.A. the producers' prices since May, 1961 and up to the time of writing were unchanged at 31 cents per lb.

Since my statement of a year ago all the major free world producers, and some minor producers, have announced varying degrees of voluntary curtailment, either of mine production or sales. I calculate that the sum of these curtailments is at present about 300,000 tons per annum. As I have mentioned elsewhere, in the case of our group we have since July last increased our production curtailment rate from 10 to 15 per cent. These curtailments have of course been made in order to establish a better balance between supply and demand, in the same way as has been done on several occasions since the last war when production capacity has temporarily outrun consumption.

The imbalance which would occur without these curtailments arises more from the great increase in the productive capacity of the free world copper mines, on which I remarked in my statement last year, than from any marked fall in consumption. This capacity has risen in the last five years from about 3.3 million short tons to nearly 4.5 million short tons per annum, an increase which is without parallel in the history of the copper market. As I mentioned a year ago this era of expansion is now coming to an end.

"...we must be ready to accept change in its widest sense—change in our political and economic environment, change in our attitudes towards the traditions of the past and the requirements of the future. If we are ready to do so, and I believe our actions over the years bear witness to this, we can, I believe, look forward to the continued healthy expansion of the Northern Rhodesian mining industry..." Sir Ronald Prain, Chairman



It is important, however, to note that production in any one year, even without curtailment, is unlikely to match capacity figures which are calculated on the assumption of uninterrupted production which is unattainable in practice due to factors such as strikes.

Demand for primary copper from free world mines during the same five-year period also rose dramatically from a level of about 3 million tons to just under 4 million tons per annum, representing the most spectacular increase in copper usage in the history of the industry. Copper consumption in 1962 has been running at approximately the same rate as in 1961, and has been in excess of the equivalent period in 1960. Since the war the growth rate of consumption has averaged over 4 per cent per annum, and if this rate is continued it will require before long the full productive capacity of the mines to which I have referred.

It is difficult at the moment to say whether the current curtailments have achieved the desired result in terms of a statistical balance between supply and demand, as statistics on this point take some time to accumulate and estimates can be affected by involuntary interruptions to production on account of strikes, etc. During the past year several strikes were experienced at various producing centres. The position is therefore always one which can change at short notice, and has to be kept constantly under review.

Future stability will therefore depend largely on the willingness of producers to continue to adjust their primary outputs to the pattern of

consumption. At the moment it is particularly difficult to predict the latter owing to uncertainty as to the general business outlook in the western world. Should the business climate improve, copper consumption might be expected to resume its growth rate, and in this respect consumers may be reassured that the copper producing industry obviously has the capacity to increase production rapidly to match any immediate increase in consumption.

As regards price levels, shareholders may recollect that I have never attempted to make short-term forecasts. I have over the years tried to take the long view and to disregard short-term fluctuations. My assessment of the future of the industry is based essentially on long-term relationships between supply and demand and the reasonableness of prices in relation to substitute materials. Whatever difficulties there may be in assessing the immediate outlook there is no reason to doubt the long-term growth of the industry.

Should the United Kingdom join the European Economic Community, there should be no particular problems caused thereby to producers or consumers of unwrought copper from whatever source, because for many years there have been no duties or tariffs applied on copper of this type entering the United Kingdom or Europe.

Federation of Rhodesia and Nyasaland

After summarising the political situation in the Federation, and pointing out the certainty of major changes, Sir Ronald continued:

Whatever these changes may be, however, as I have indicated in my statements of recent years, we regard our job as that of producing copper with the maximum efficiency under Central African conditions, and in doing so we must continue to bear in mind the many interests to which we are ultimately responsible. These interests include those of our shareholders, the government of our country, our employees and local communities who depend on our enterprise, the customers whom we supply, and the future growth and prosperity of the copper industry as a whole.

The interpretation of these responsibilities involves a constant re-assessment in which one factor emerges clearly, namely that we must be ready to accept change in its widest sense—change in our political and economic environment, change in our attitudes towards the traditions of the past and the requirements of the future. If we are ready to do so, and I believe our actions over the years bear witness to this, we can, I believe, look forward to the continued healthy expansion of the Northern Rhodesian mining industry under conditions where such health and expansion will remain the first consideration of government in the interests of all the people of this country.

These are extracts from the annual statement of the Chairman of the R.S.T. Group of Companies, Sir Ronald L. Prain, to shareholders, dated October 18. Copies of the full statement and annual report can be obtained from Selection Trust Limited, Rhodesian Department, Mason's Avenue, Coleman Street, London, EC2.



THE RHODESIAN SELECTION TRUST GROUP OF COMPANIES

Incorporated in Northern Rhodesia, Southern Rhodesia and Bechuanaland Protectorate.

THE BIRMINGHAM SMALL ARMS COMPANY

STEPS TO COMBAT DIFFICULT TRADING CONDITIONS

MR ERIC TURNER ON GROUP'S PROBLEMS

The one hundred and first annual general meeting of The Birmingham Small Arms Company Limited will be held on December 13th in Birmingham.

The following is an extract from the circulated statement of the Chairman, Mr Eric Turner:

During the past year several parts of the Group experienced exceptionally difficult trading conditions, with the result that there was a serious fall in profits compared with the previous year. The Motor Cycle Division, which in recent years has been the largest and most profitable in the Group, had to contend with unprecedented difficulties and consequently showed the biggest reduction. The profits of other divisions were also below expectations, either because of general pressure on profit margins or, in some cases, because of considerable reductions in turnover.

As forecast in May, the Group profit before taxation, of £1,504,357 was little more than half the previous year's figure of £2,932,745. Despite a substantially increased turnover in the Machine Tools Division, the turnover of the Group as a whole fell by 11 per cent and this was the principal cause of the heavy fall in profits.

TURNOVER ANALYSIS

The proportions of total turnover attributable to each of the Group's main activities during the year and the previous year were as follows:

	1962	1961
Motor Cycles and Scooters	26%	37%
Machine Tools and Small Tools ...	35%	26%
Steel (Jessop-Saville Limited)	18%	19%
Small Arms, General Engineering and Metal Components	21%	18%
	100%	100%

REVIEW OF ACTIVITIES

Motor Cycles and Scooters: The motor cycle and scooter industry suffered from a reduction in sales to the home market which proved to be much more severe than expected. A combination of many unfavourable factors operating simultaneously posed exceptional problems for manufacturers and dealers alike. Consequently, and in spite of export business being fairly well maintained, the profits of the Motor Cycle Division were small. Our three motor cycle companies, however (Ariel Motors Limited, B.S.A. Motor Cycles Limited and Triumph Engineering Company Limited), maintained their share of the total turnover of the industry, so that no ground was lost to competitors.

Machine Tools and Small Tools: We commenced the year with orders in hand considerably in excess of all previous levels. Our machine tool companies made strenuous efforts to increase production quickly in order to meet customers' requirements, but a shortage of skilled labour in the early part of the year necessitated somewhat uneconomic working and extensive sub-contracting. Although the output for the year was easily a record, we did not, therefore, derive the full benefit of the increase in turnover.

The virtual completion of the motor industry's latest phase of expansion and re-equipment, together with the recession and uncertainty in engineering generally, has caused a sharp decline in new orders from the home market during recent months and the curve is still downward. On the other hand, I am happy to report that substantial export business has been obtained, although additional selling expenses reduce profit margins. But even in export markets the first signs of falling demand are apparent.

In spite of the inherent difficulties of the machine tool industry, it is to the Machine Tools Division that we must look for part of our future expansion. Considerable sums of money have been spent on vigorous programmes of research and development, and we shall shortly be commencing the production of several new models in our main machine tools factories. We are determined that the importance of our machine tool activities shall steadily grow.

Jessop-Saville Steel and Small Tools: Jessop-Saville Limited has been affected by the serious recession suffered by the British steel industry, as a result of which most companies have been working at three-quarters capacity or less for many months. As yet there is no sign of any improvement in the demand for steel, and short-time working, which is already fairly extensive, seems, if anything, likely to grow because the backlog of orders which helped last year's output has now largely disappeared.

Export business has been well maintained but at very narrow profit margins. It is evident that until business confidence is regained and engineering production rises once more no worthwhile improvement in the demand for steel as a whole can be expected, although of course it is hoped that the economic measures just announced will help in these directions.

Jessop-Saville (Small Tools) Limited made a satisfactory contribution to the profits of the Group, although it had to fight hard to maintain turnover. The company is now very well equipped to take advantage of any improvement in trading conditions.

General Engineering: During the year a General Engineering Division was formed, with the object of co-ordinating the activities of companies engaged in this field and of obtaining new business to make use of the surplus capacity which nearly all of them possess. A number of fresh activities are under consideration and it is hoped that new products will gradually be added to the present range.

Metal Components Division: This division, which is the smallest division in the Group, was formed at the same time as the General Engineering Division and with similar objects.

PROSPECTS OF THE GROUP

At present the Group is facing two main problems. Firstly, there is a shortage of orders in some of our larger and long-established activities, and secondly there is an urgent need for new fields of endeavour or products to make full use of our skills and facilities.

In machine tools, motor cycles and steel, which together account for four-fifths of the Group turnover, the order book is either still falling or remaining fairly constant at low levels. This statement is being written immediately after the announcement of the changes in motor car purchase tax and investment allowances. It is therefore too early to say what effect these concessions will have on Group trading during the rest of the year.

It is abundantly clear, however, that the motor cycle division will derive no benefit at all. Although the motor cycle industry is, of course, much smaller than the motor-car industry it is even more in need of a stimulus in the home market. It is becoming increasingly difficult to remain competitive overseas owing to the reduced volume of home sales. Last year nearly two-fifths of the Division's output was exported but it is most unlikely that this praiseworthy achievement can be maintained unless there is a revival in the domestic market.

There is every reason to hope that the machine tool and steel divisions will eventually benefit from the changes but there is always a time lag and in any case the engineering industry as a whole has substantial surplus capacity. Consequently, it may well be that any improvements in the next few months will be marginal and that increased profitability of the Group must come from greater efficiency rather than a marked expansion of output.

Some of the companies in the remaining divisions, General Engineering and Metal Components, undoubtedly have scope for expansion, but several of them are bound to remain relatively small because of the nature of their business and the others cannot quickly grow to a size comparable with that of the main old-established companies in the Group. Moreover, it cannot be denied that in present trading conditions the lack of a government arms contract is a serious blow, particularly now that the present period of acute international tension has highlighted the need for modern small arms.

In my review of last year's activities, various references were made to the establishment of completely new products or spheres of activity. Some, such as central heating work, electrical equipment and hydrostatic drives, have already been started, and others will follow this year and in succeeding years. It must, however, be recognised that in the early stages of a new product or activity, profits tend to be reduced by the need to write off development and pre-production expenditure.

At the time of writing, only the figures for the first two months of the new financial year are available, and these show some deterioration compared with the same period last year. However, I still hope that the figures for the full year will be a little better than those now before you, but in the circumstances which I have outlined it would be unrealistic to expect a rapid recovery in profits. In these uncertain times, it is difficult to look still further ahead. Nevertheless, given a reasonable degree of national prosperity, I believe that the steps we are taking will produce a progressive improvement in our results.

COURT LINE LIMITED

CHANGING TREND IN TRAMP SHIPPING OPERATIONS

DRASTIC REORGANISATION IN COMPOSITION OF FLEET

THE HON J. P. PHILIPPS ON BOARD'S FUTURE PLANS

The thirty-third annual general meeting of Court Line Limited will be held on December 19th in London.

The following is the statement by the Chairman, The Hon. J. P. Philipps, TD, which has been circulated with the report and accounts:

Ladies and Gentlemen, Early in September, reports of the sale of our five oldest vessels to an Indian Company were released in India and since then various further rumours have appeared in the Press. Unfortunately, I and my colleagues were not in a position to confirm or deny these rumours for the simple reason that, although broad agreement had been reached, the necessary government and other approvals had not been received. In fact, it was only on November 16th that the final documents were signed and the first vessel handed over.

TRADING CONDITIONS

The catastrophic fall in freight rates over the last nine months, coupled with ever increasing operating expenses, has resulted in the world total of laid-up dry cargo tonnage increasing from 569,500 tons gross in December, 1961, to 2,726,000 tons gross at the end of October, 1962. This latter figure unfortunately includes our "Dorington Court" and "Errington Court," for which we are unable to find any remunerative employment at the present time. In the same period the Chamber of Shipping Freight Index fell from 101.2 to 78.4 at the end of July, which was the lowest figure reached since the index was started in 1948.

A number of contributory factors have led to the present situation, but we are nevertheless faced with the fact that part of our fleet is having difficulty in competing with the super tramp of 12,000 to 15,000 tons deadweight, having speeds of up to 17 knots, and the bulk carrier of 15,000 tons deadweight upwards.

Both of these are vastly more economical carriers per ton mile than the 10,000-ton deadweight tramp vessel, and tend to drive freights down to a level at which the smaller ships cannot make a profit. Great strides are also being made at the major bulk cargo loading and discharging terminals to enlarge the existing facilities so that even larger vessels with greater draughts and overall dimensions can be handled. All this points to a changing trend in tramp shipping operations and we must move with the times even if this means a drastic reorganisation in the composition of our fleet.

FLEET CHANGES

With this very much in mind we purchased, as I told you last March, a 22,000-ton deadweight bulk carrier, and renamed her "Cressington Court." We have now carried our plans a stage further by selling the five following vessels:—

"Barrington Court" ...	} Built 1952
"Framlington Court" ...	
"Geddington Court" ...	
"Hannington Court" ...	} Built 1954
"Jevington Court" ...	
"Jevington Court" ...	Built 1956

They have been sold at a price which, in total, exceeds their written-down value on credit terms extended over ten years with interest in addition. The buyers are an Indian company called Jayanti Shipping (Private) Limited, who intend to use the ships in preferential Indian trades. Owing to the Indian balance of payment situation, it has been necessary for the purchase price and interest to be made available from sources outside India. In order to achieve this, it is one of the terms of sale that Jayanti should discharge a mortgage on a tanker they own called "Adi Jayanti" and thereby release the hire money under a time charter from Shell Transport & Trading Company for assignment to us as part of the security for the purchase price and interest due on the five vessels. To complete the transaction, it has been necessary for us to take over this mortgage and we, in turn, have had to borrow £1,300,000 from our Bankers. This latter loan is repayable over five years.

The effect of this transaction as regards future profits is to substitute in place of the potential liability of maintaining and depreciating five vessels which are unlikely to be able to trade at a profit in the foreseeable future, a positive net interest income before taxation of approximately £90,000 per annum for the next ten years. Even more important in the minds of your Board is the generation by these means of over £2,000,000 of cash over the next ten years which will be available for the purchase of modern vessels to match the new pattern of trade.

NEW VENTURE

I must also tell you of a further development. It is no longer the policy of your Board to place periodic replacement orders in the hope that employment will materialise when the new ships are delivered. In the past this policy has been justified but we believe that trade has now become so very much more specialised that a prudent tramp ship owner should now seek his trade, secure long-term employment and then build the most efficient and most economical unit to provide the particular service required.

With this end in view, your Company has purchased a 51 per cent interest in a private company called Malcolm Ore Carriers Limited. This company has the services of Mr V. N. Malcolm who has a wide experience of the bulk-carrying business generally, with particular emphasis on ore trades. We are very pleased that Mr Malcolm has accepted our invitation to join the Board of Court Line Limited. While the particular object of Malcolm Ore Carriers Limited is to pursue and investigate all long-term bulk-carrying opportunities it is also envi-

saged that in future some partnership vessels might be built, with Court Line contributing 51 per cent of the capital cost of construction and the other shareholders of Malcolm Ore Carriers the remaining 49 per cent.

THE ACCOUNTS

I will now turn to the Accounts for the year ended June 30, 1962, and I would draw your attention to the words at the top of the Profit and Loss Account—"Operating Deficit on Voyages Completed at June 30, 1962." In previous years when we had practically all our fleet fixed on long-term charters we adopted the system of only including in our Profit and Loss Account the profit on voyages which were actually completed in the year under review by the ships discharging in a United Kingdom or near Continental port where the crew had to be paid off. This practice worked very well in normal times, but since the termination of these charters and the catastrophic fall in the freight market this system has produced an operating loss in the Accounts now before you. If, however, we had now changed our practice and taken *pro rata* profits up to the end of June on those voyages which had not been completed on the basis mentioned above, there would in fact have been an operating surplus. This surplus will now, however, be carried forward into the Profit and Loss Account of the ensuing year. This means that no credit has been taken for any profits earned by the two new acquisitions—m.v. "ARLINGTON COURT" and m.v. "CRESSINGTON COURT." In these circumstances, and having regard to the strength of the Company's Reserves, your Board feel justified in declaring a dividend of 5 per cent, less income tax, out of the profits carried forward in previous years.

Finally, I would like to refer to the new Articles of Association which are recommended for adoption, and in particular to the Clause about the Directors' Borrowing Powers. In our present Articles these powers are limited to the "nominal amount of the authorised share capital" which is £2,000,000. The type of vessel that your Board are intending to build in future will cost at today's prices anything between £1,500,000 and £4,000,000, most of which will have to be borrowed against the security of the charters to be arranged. For this reason, your Board consider it essential that, in accordance with modern practice, the limit should be increased and should fluctuate in proportion to the issued capital and reserves of the Company. If these new Articles are adopted, the limit calculated on the figures appearing in the Balance Sheet now before you would amount to approximately £7,000,000.

This has been a very difficult year and I feel sure you would wish me to conclude by thanking all our staff, both ashore and afloat, for the hard work they have put in and the part they have played in helping to keep the flag flying.

ULTRAMAR COMPANY LIMITED

SUBSTANTIAL PROGRESS OF INTEGRATION PLANS

SIR EDWIN HERBERT'S REVIEW

The twenty-sixth annual general meeting of Ultramar Company Limited was held on November 15th in London.

Sir Edwin Herbert, KBE (the Chairman), presided, and, in the course of his speech, said:

In Venezuela the average oil production attributable to Caracas Petroleum for the first half of 1962 was 11,805 barrels per day, compared with 13,121 barrels per day for 1961. Caracas Petroleum's share of gas sales for the first half of 1962 was 36,827,000 cubic feet per day compared with 37,043,000 cubic feet per day for 1961 which was a record.

Canpet, the Western Canadian Company in which we have a 50 per cent interest, has continued to make good progress. Oil production for the first half of 1962 was 1,209 barrels per day, which compares with 1,056 barrels per day in 1961. For the third quarter of 1962 average oil production rose to a new high of 1,327 barrels per day. The drilling programme for 1961 was most successful and has been continued into 1962.

Investment in the production side of the Group has necessarily had to be restricted because of the need to use available funds in developing marketing and refining interests during the transitional stage. It will, however, be necessary to be more active in future years in securing production.

COMPANY MEETING REPORTS

MARKETING AND REFINING COMPANIES

Golden Eagle of California incurred a net loss after depreciation in 1961 of \$886,000. As a result of economies, improvements in product prices, changes in selling policy and an increase in the crude oil import quota starting July 1st last, the company has made a net profit of \$230,000 for the first nine months of 1962.

In Canada the Newfoundland Refinery went on stream on December 1st last and has operated satisfactorily from that date onwards. Storage terminals are being completed at various points in the Provinces of Newfoundland and Quebec and the marketing organisation is being built up in those provinces. For the first half of 1962 sales of products averaged about 8,000 barrels per day. New business recently acquired and an acceleration of gasoline station construction indicate that sales of products should rise significantly towards the end of 1962 and that the increase should continue through 1963. We expect to see an appreciable cash flow from these operations within a year or two.

In Panama, instead of building a separate refinery at Portobelo, we have arranged to acquire an interest in the Payardi Refinery built by Refineria Panama S.A. We shall acquire a one-third interest in Refineria Panama S.A., paying for that interest during the years 1964-1968. We are confident that the terms of payment, which include an allowance for part of the past expenditures in respect of Portobelo, will permit us to meet the cost of purchase out of operating surpluses of those years. In the meantime, substantial quantities of CPSA's Venezuelan crude are being refined at the Payardi Refinery. The Payardi Refinery appears to have excellent prospects and we are pleased to be in partnership with Continental Oil Company and National Bulk Carriers.

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CHANGE IN GROUP POSITION

Only about three years ago we were interested solely in the producing end of the industry. Today the Group has a present refining capacity of approximately 28,000 barrels per day and a present products market, which is expanding, of approximately 35,000 barrels per day. There is now no need to sell Caracas Petroleum's Venezuelan crude to outside interests.

I think you will agree that this is a remarkable change to have been brought about in three years. I believe that we can look for a substantial cash flow from the various operations as a result of the integration that has been achieved. We expect an appreciable improvement in the trading position for the second half of 1962 but it is in 1963 that we expect to begin to reap the reward of the new investments that have been made.

The acquisition of the refining and marketing interests in Canada, California and Panama have involved an outlay of some £8 million. The money has been raised largely by loans. In addition there have been normal banking facilities covering the growing inventories and receivables of the Group.

These developments have been a strain on the resources of the group which made it inadvisable to pay a Capital Surplus Distribution this year. Furthermore, we are reviewing the various interests of the group to see whether some interests which are not essential to the present integrated plan might not be realised. Our plans for dealing with such interests may take some time to develop and as an interim measure we are discussing with bankers to the group the question of bridging loans to refund some short term debts of the Operating Companies and provide additional working capital.

The report and accounts were adopted.

COZENS & SUTCLIFFE (HOLDINGS)

MR FRANCIS BULLIMORE ON GROUP'S POTENTIALITIES

The twenty-first annual general meeting of Cozens & Sutcliffe (Holdings) Limited was held on November 16th in London, Mr Francis G. Bullimore (the chairman) presiding.

In the course of his circulated statement, Mr Bullimore referred to the loss sustained by the Group in August last by the enforced retirement through ill-health of the former Chairman, Mr H. V. Cozens.

Mr Bullimore continued: In common with many other concerns throughout the country, your Group did not experience such a successful year as was thought probable some twelve months ago and this was in large part due to the financial restrictions which the Government imposed on industry and the effect these measures had on capital equipment investment. Some substantial contracts in the constructional and equipment divisions, involving the Company in initial and preparatory expenses, had to be held back, but I am glad to report that these have now come forward and that the benefit will be felt in the forthcoming year. As is well known, conditions in the electrical and radio industries continued to be affected by credit restrictions and delays were also experienced in the marketing of the Redler Mobile Crane.

The trading profit for the year ended on June 30, 1962, of £130,815 compares with £213,065 for 1960/61.

Since the end of your Company's financial year, trading conditions have improved.

GROUP'S ACTIVITIES

Cozens & Sutcliffe, Ltd. (Constructional Engineering and Plant Hire): The trading results for the year have not been so satisfactory as had been hoped. In my opinion prospects for the future are more promising.

A. S. Duran & Co. Ltd. and R. J. S. Services Ltd. (Electrical and Radio Industry Wholesale Distributors): It cannot be said that the year has proved a satisfactory one, but I am reasonably confident of 1962/63 and hope to be able to give you an improved picture in a year's time.

Redler Industries Ltd. and Subsidiaries with Associated Company, H. J. H. King & Co. Ltd. (Mechanical Handling Plant Manufacturers): The total value of Group orders on hand is greater than at this time last year and I have every reason to believe that turnover will be maintained.

Commenting on future prospects Mr Bullimore said: "We are now well based to exploit the potentialities of our organisation. The total value of orders on hand is greater than at this time last year. It must be borne in mind that a business such as ours is dependent on a liberal Government attitude towards capital investment so necessary to maintain industry in a fully efficient and competitive condition. This attitude has not been forthcoming in the past year but there are signs that the new Chancellor is now moving in the right direction and I am confident that the Company's activities can be maintained on as profitable a basis as formerly."

The report was adopted and the total dividend of 30 per cent for the year to June 30, 1962, was approved.

SOLAR INDUSTRIES LIMITED

The Fifty-sixth Annual General Meeting of Solar Industries Limited was held on November 16th in Glasgow. In his Statement circulated with the Annual Report and Accounts for the year ended 31st March, 1962, the Chairman and Joint Managing Director, MR R. K. CALDER, reported profits, before tax, of £445,634. Final Dividend was 12½%, less tax, making 17½% for the year. Overall Group output was slightly higher than in the previous year.

Commenting on the Group's activities, Mr Calder said:—

HOME:

The Foundry Division: "Aluminium Bronze Co. Ltd. and Trent Foundries Ltd. showed heavy falls in output—some 20 per cent down—and profits suffered even more severely. There has been a reasonable measure of recovery in the current year."

The Burnley Group: "Burnley Aircraft Products Ltd. maintained both output and earnings and further progress is being made in the current year. Universal Boilers & Engineering Co. Ltd. made notable progress. Additional production facilities are already under strain as current output is running some 50 per cent up on the previous year. Solar Weld Languepin Ltd. again disappointed and a further small loss was incurred. While sales improved substantially, development and production costs were disproportionately high."

Atkinson's of Clitheroe Ltd. (formerly Atkinson's Agricultural Appliances Ltd.): "... Output last year was unchanged ... profit margins were reduced ... however, in the current year, output and profits show further expansion and the forward position is satisfactory."

The Plating Division: "The Verichrome Companies together with the Irco Company showed an overall reduction in output and earnings. The current year reflects a reasonable degree of recovery."

Scottish Aluminium Ware Ltd. (manufacturers of 'Luxaflex' Venetian Blinds): "... again turned in record sales and profits."

The Draftex Group: "Coventry came close to holding output at the previous year's level, and in the current year has gone still further ahead."

EUROPE:

The German Draftex Company: "made further major advances in both output and earnings and in the current year—assisted by new lines of activity—output has almost doubled. I am hopeful that ways and means will be found in the near future to enable us further to extend our foothold in Europe, where our initial efforts have been so rewarding and where, I am confident, we can both extend and develop our activities still further."

CANADA:

"Turnover dropped by 20 per cent, but in the current year the Canadian Company has been operating at a profit level which, in the circumstances, is not unreasonable. The forward position is not discouraging. New products are being introduced."

BONUS ISSUE:

"It is proposed to issue 800,000 new Ordinary shares of 5s. each, credited as fully paid, in the proportion of one new share for each four Ordinary shares held."

THE FUTURE:

"We have a number of new projects under review and we are also looking for additional means to co-ordinate and expand the activities of the Group, both by direct development and the acquisition of other concerns which fit into Group structure. I have every confidence that, with active and progressive management, the Group can look forward to further major progress. The trading results for the first half of this year show significant advances, both in output and profits, not only over last year, but also over the year 1960-61 which was itself a record year."

"I would feel—unless unforeseen circumstances arise—that we should have another record year, in which event an increase in the effective rate of dividend could reasonably be envisaged on the share capital as now to be increased."

Copies of the Annual Report and Accounts may be obtained on application to the Registered Office of the Company, 123, Hope Street, Glasgow, C2.

SMITHS

exports to the world

In his annual statement to shareholders, Mr. Ralph Gordon-Smith describes Smiths' overseas organisation and also draws attention to the following tables showing the direction and extent of Smiths' exports from the United Kingdom in 1961/62.

Division	Direct Export Sales £000	Estimated Indirect Export Sales £000	TOTAL £000
Motor Accessory	860	4,360	5,220
Aviation	1,350	850	2,200
Clock & Watch	1,100	140	1,240
Kelvin Hughes (marine)	1,450	100	1,550
Spark Plug & Ceramics	980	50	1,030
Industrial	220	560	780
TOTALS	£5,960	£6,060	£12,020
Totals as % of Smiths' (U.K. companies) sales.	15%	15%	30%

TOTALS ANALYSED

	Smiths Export Sales %	U.K. National Exports of Manufactures %
E.E.C.	24	16
E.F.T.A.	15	12
North America	17	13
C wealth (exc. Canada & S. Africa)	22	31
Others	22	28

A copy of the 1962 Report and Accounts, which includes the Chairman's Statement and a Product Review, may be obtained from the Secretary.

SMITHS

S. SMITH & SONS (ENGLAND) LTD., LONDON, N.W.2

Glaxo

THE continuing need to provide for research and development explains the high dividend cover on such a pharmaceutical stock as Glaxo. Despite the occasional calls made on resources by such factors as the exchange loss in Brazil in the year to June 30th last, Glaxo has preserved a high degree of liquidity and this has enabled the directors to pursue a progressive though not especially bold dividend policy. Thus, the dividend was raised from 15 to 16 per cent even though trading profits fell slightly in 1961-62 in the face of an increase of 5 per cent in turnover. The knowledge that the directors could afford to distribute more if they so wished keeps the yield on the 10s shares low. Their price has picked up in the last few weeks because there are signs that Glaxo's margins have im-

proved and that its trade is continuing to grow.

Glaxo's margins were higher in the second half of the financial year than the first half because technical improvements in some processes resulted in lower production costs. Here, as the chairman, Sir Harry Jephcott, explains, research "resulting in new products, improved manufacturing processes and reduced costs" plays a notable part as competition largely frustrates any

	1958	1959	1960	1961	1962
Trading profit.....	£ mil. 6.3	£ mil. 6.5	£ mil. 7.9	£ mil. 8.3	£ mil. 8.2
Gross profit.....	5.6	5.8	7.3	7.5	7.2
Net equity earnings.....	2.4	2.8	3.6	3.6	3.2
Retained cash flow.....	2.7	3.4	3.7	3.8	3.5
Net fixed assets.....	9.4	10.3	11.3	14.0	15.5
Net current assets.....	11.8	12.7	15.0	18.3	18.5
Net liquid assets.....	6.6	7.3	8.9	9.4	9.3
Net equity assets.....	17.4	19.2	22.6	27.9	29.7
Ord. earnings (per cent)	41.5	44.6	54.8	49.5	45.0
Ord. dividend (per cent)	9.4	11.2	14.4	15.0	16.0
Gross profit/net equity assets	32.2	30.2	32.3	26.9	24.2
Net earnings/net equity assets	13.8	14.6	15.9	12.9	10.8
Price (10s. shares) 55s. 6d.	Earnings yield: 8.1%.				
Dividend yield: 2.9%	Equal to 12.3 years' earnings.				

Confidence in Copper

SHAREHOLDERS are well provided with the facts about the operations of the Rhodesian copper companies and now that the price of copper is fixed and the level of output or sales is geared to a given proportion of known capacity, they have a clearer picture of earnings than ever before. But the annual reports of the two big Rhodesian copper groups afford the chairmen of Rhodesian Selection Trust and Rhodesian Anglo American an opportunity to discuss the more intangible factors which decisively influence the current price of copper shares.

Sir Ronald Prain of RST and Mr Harry Oppenheimer of Rhoanglo answer the first major question—the political future of Northern Rhodesia—more emphatically by their actions than by their words. RST is to develop the Chambishi orebody at a cost of £6½ million over and above the £1 million already spent on surveying this field. RST will thus sustain its rapid postwar growth after, apparently, carefully reviewing the political risks.

The Rhoanglo group holds about 30 per cent of the capital of Chambishi, and it has decided to subscribe its full share of the cost of the new venture which should produce 25,000 tons of copper by 1967. Rhoanglo's faith in the future of Central Africa is also apparent in the maintenance of the costly programme of exploration and in its spread of investments outside mining in the Rhodesian Federation.

Investors do not however altogether share the confidence that Sir Ronald and Mr Oppenheimer have in the future political stability of Central Africa. On favourable assumptions, the Chambishi venture might yield a profit before tax of about 30 per cent in 1967. But at the current prices of 28s. 6d for RST and 55s. for Rhoanglo, the re-

spective yields are 14.7 and 14.5 per cent, after deducting Rhodesian taxes of 8s. in the £. Sir Ronald Prain admits that investors are now so cautious as to be unwilling for the moment to invest fresh capital in Rhodesia. It was to facilitate new developments such as Chambishi that this year's merger between Roan Antelope and RST was arranged.

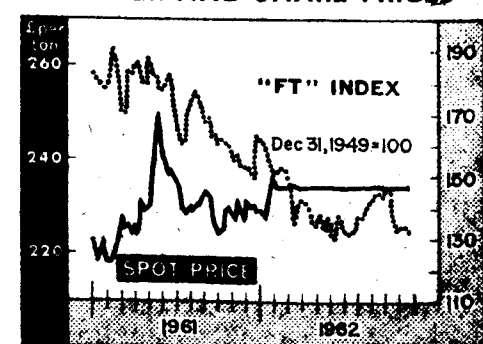
The two chairmen are equally confident about the future of copper, though when the growth in consumption of copper is resumed it may not pick up again to the average rate of growth of 4 per cent per annum recorded since the end of the war. Sir Ronald estimates that restrictions on output or sales are currently holding 300,000 tons of copper a year off the market. If the growth in consumption lags, that gap will not be quickly closed. Output curbs have already run for two years in Rhodesia, which is probably longer than producers had expected. The Anglo American group stocked up heavily with copper in the first year of restrictions so as to avoid production cuts but the reports of Rhokana and Bancroft show no significant addition to these stocks in the year to June 30th last. But the copperbelt strike in May was responsible for an unscheduled cut in Rhokana's production and Bancroft has been unable to reach its production target. Mr Oppenheimer says that Bancroft's number one shaft cannot sustain its present rate of extraction and that the future of this disappointing venture lies with its number three shaft which has already been sunk to 1,100 feet. At 6s. 10½d., Bancroft has been one of the weakest of the Rhodesian mining shares in the past few months.

On the future price of copper, which producers have fixed at £234 a ton for cash supplies in London, the two chairmen are

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more guarded. Mr Oppenheimer claims that price stability is a boon to consumers and producers alike. Sir Ronald reiterates his view that the price of copper should be "reasonable" in relation to substitute materials in the long run. He implies that the current price is reasonable but strikes a cautious note in referring to "the difficulties in assessing the immediate outlook." Largely because of the rise in production following completion of the Mufulira West extension, RST's profit at £2,831,000 in the first quarter to end-September was £218,000 higher than a year earlier. The full report revealed that Mufulira's production costs fell by about £11 a ton in 1961-62 and this helped to raise the profits of RST (excluding Roan Antelope) from £7,742,000 to £12,352,000. RST was thus able to pay a total gross dividend of 7s. per share, against a forecast of 6s. at the time of the Roan merger. In the Rhoanglo group, Rhokana's gross profit fell slightly from £14,376,000 to £14,222,000 but Rhoanglo's own profits before tax rose from £32,132,000 to £32,615,000, and its dividend was maintained at 8s. a share, net of Rhodesian tax. Both groups will benefit from the maiden dividend likely to be paid this year by Chibuluma.

COPPER AND SHARE PRICE



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Ultramar

ULTRAMAR is still the oil stock for speculators. This was again demonstrated this week when the price of the 10s. units jumped from the depressed level of 21s. 3d. to 26s. 3d. on the encouraging statement made by the chairman, Sir Edwin Herbert, on the progress made by the company in the "period of transition." Three years ago Ultramar was interested solely in production and when its contracts ran out it was faced with the problem of selling Venezuelan oil in markets overshadowed by a world wide surplus. Ultramar therefore had to build up refining and marketing facilities from scratch. Production and drilling in Venezuela have been curtailed though income from "royalty companies" has been well maintained. Production in Canada is rising and adding to the cash flow. In the future, the group's cash flow will be invested partly in further production and exploration, partly in purchases of crude oil at "attractive prices" from other producers and partly in the further development of refining and marketing interests. Ultramar has invested in refineries in California, Panama and Canada and now has no need to sell Venezuelan crude to outside interests. The loss made by the California refinery has been turned into a profit; sales from the Canadian refinery should increase significantly in the near future; and the Panama refinery has, Sir Edwin believes, "excellent prospects."

As a result, the directors expect an appreciable improvement in trading results in the second half of this year and next year. The developments cost Ultramar about £8 million and though part of a bank loan has now been repaid the strain on financial resources is still apparent. Some part of the development plans may be trimmed and the group is hoping to arrange bridging finance with its bankers. Ultramar raised £3½ million on a 7 per cent convertible loan stock in 1960; the stock now stands at £80, setting the conversion price at the next date at £2 per 10s. ordinary unit. The loan stock is finally redeemable in 1978 and Sir Edwin still hopes to carry through the integration programme without making any further appeals to the capital market. In all, Ultramar is stronger than it was but it is still faced with the problems confronting a small independent, particularly in marketing, when it competes with the giants.

Wiggins Teape

EARLY in 1961 a link was forged between Wiggins Teape and British American Tobacco, when Millbank Paper was set up to extend the paper making interests of the two companies. Millbank was previously controlled by BAT and Wiggins Teape transferred to it certain assets in Britain, Australia, India and South Africa in exchange for a 50 per cent stake. One of Millbank's principal products is cigarette tissue which is sold to BAT companies and to other cigarette manufacturers. A vigor-

COMPANY AFFAIRS

ous expansion programme is under way and Wiggins Teape's share of the funds was being met by the allotment of 1,800,000 £1 shares to BAT at 60s. a share to be called up as required by Wiggins Teape until January, 1964.

The two companies have now agreed that Millbank should become a wholly owned subsidiary of Wiggins Teape—the two might otherwise have been in competition in certain overseas markets. This will remove the snags of a dual controlled company and the possibility that the area trading agreements operated between Millbank and Wiggins Teape would be contrary to the provisions of the Rome Treaty should Britain join the common market. BAT will sell its half-stake in Millbank for 3,537,613 shares in Wiggins Teape and will subscribe for a further 1,253,333 ordinary shares at 60s. each to cover its agreed share of Millbank's outstanding capital commitments as

the funds are required. In all BAT will hold 30.37 per cent of Wiggins Teape's enlarged ordinary capital of £21.7 million.

Shareholders who are being asked to approve a deal that gives BAT virtual control of the company may wonder why the association with BAT did not take this form originally. But they will obtain a clearer picture of the profitability of the group as a whole for as Millbank was an associate company Wiggins Teape consolidated only its share of Millbank's dividends, amounting to £470,000 gross, in its 1961 accounts. In fact, Millbank's gross income amounted to £1.9 million last year. Then, earnings covered the Wiggins Teape 14 per cent dividend 1½ times; a similar payment has been forecast for the current year, though the new shares will not rank for the 4 per cent interim, but profits are not expected to reach the 1961 level. At 56s. 9d. the £1 shares yield 4.9 per cent.

Ups and Downs

Two of the three big companies which issued interim statements in the last few days are in the "super growth" class and their yields are minimal. The third, Beecham, had a similar rating a year or so ago but recent results have made investors think again.

Beecham Group.—At the recent meeting the chairman, Mr H. G. Lazell, told shareholders that sales for the first quarter were 5 per cent up on the previous year; the table shows that for the six months to September they were only 1½ per cent higher at £28.9 million. The slowing down in the growth in sales probably stems largely from the 15 per cent tax on soft drinks and confectionery, which account for more than

BEECHAM'S SALES AND PROFITS				
Six months to	Sept. 30, 1961	Mar. 31, 1962	Sept. 30, 1962	
	(£000's)	(£000's)	(£000's)	
Sales	28,569	30,062	28,922	
Gross income	3,996	3,516	3,757	
Taxation	1,885	1,586	1,780	
Net income	2,104	1,922	1,970	
Gross income/sales	14.0	11.7	13.0	
Net income/sales	7.4	6.4	6.8	

half Beecham's home sales. Moreover the past summer was no help to sales of soft drinks and margins are still below the levels of a year ago. Shareholders must wait until May for evidence of the steady improvement in margins which Mr Lazell expects to result from an examination of Beecham's operating methods.

Elliott-Automation.—In 1961-62 the directors of Elliott-Automation followed a policy of dividend restraint leaving the interim unchanged and raising the final dividend by only one point, to make 14 per cent. Shareholders can look for a bigger increase this year for the interim dividend is raised from 5 to 6 per cent and the directors say that orders received and deliveries are substan-

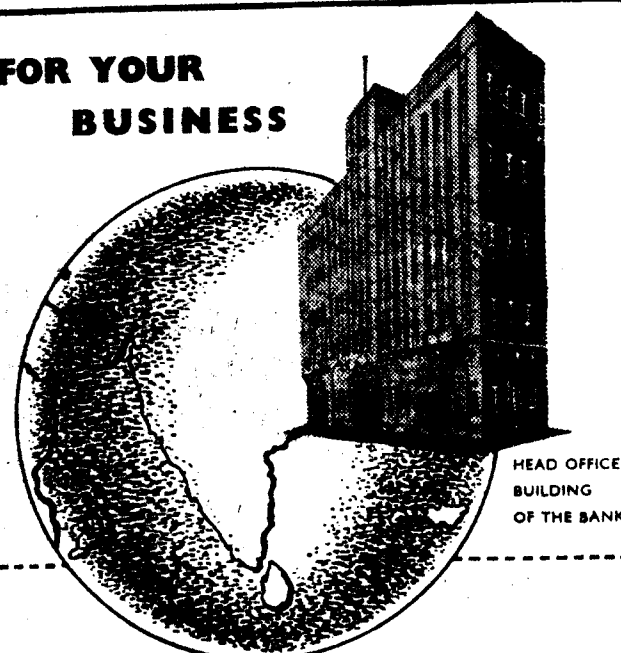
cially ahead of the corresponding figures in 1961 and that profits show a similar rise. In the electronics field, expenditure on capital equipment is heavy and a sharply rising turnover involves big increases in working capital. After issuing £2 million debenture stock in July, the directors are now to issue £1½ million of cumulative preference shares—something of a rarity these days. The shares, which it is believed will carry a 7 per cent coupon, will be placed through Philip Hill, Higginson, Erlangers and Hambros Bank. The demand for automation equipment is expanding rapidly and in view of the highly technical nature of the group's activities the board is being reconstituted to bring in more senior executives from within the group. Four of them are to succeed four of the present non-executive directors and from January 1st Sir Leon Bagrit, the managing director, is to succeed Mr Rudolph de Trafford as chairman.

Tesco Stores.—Following the one for five scrip issue the interim dividend has been raised from the equivalent of 8½ to 11 per cent and this has aroused speculation about the total dividend for 1962-63. Earlier the directors had forecast 22½ per cent but the size of the latest increase and the confident view of the directors about trading prospects for this supermarket group suggests that 25 per cent may not be too optimistic. Such a payment would raise the yield to 2½ per cent. The chairman, Mr J. E. Cohen, says that the increase in the interim dividend indicates improved trading results and an optimistic view of the future in supermarket business and in credit drapery, where the reorganisation of Harrow Stores Watford has now been completed.

PRICES AND YIELDS

	High	Low	Nov. 23	Div.	Yield
Beecham Group ..	52½	33½	36½	28	4.1
Tesco Stores	12½	9½	10½	22½	2.1
Elliott-Automation ..	54½	39½	47½	14	1.5

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Discovery

The Magazine of Scientific Progress

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Astronomers refer to stars by size and colour, and the analysis of starlight is providing exciting information about their temperature, chemistry and life cycles.

THE WAYS OF WILDEBEEST

John Hillebr
The conservation of wild life in Africa is vitally important to its underfed populations. The wildebeest is one of the key species.

NEW LIGHT ON PHOTOSYNTHESIS

Dr. S. A. Barker, Birmingham University
Recent studies have brought an almost complete understanding of this important plant process on which we all ultimately depend.

BLUEPRINTS FROM LIFE

Jack Steele, American Bionics Society
Devices used by living organisms, such as the bat's 'radar', are proving of value to the engineer and many have been used in man-made systems.

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